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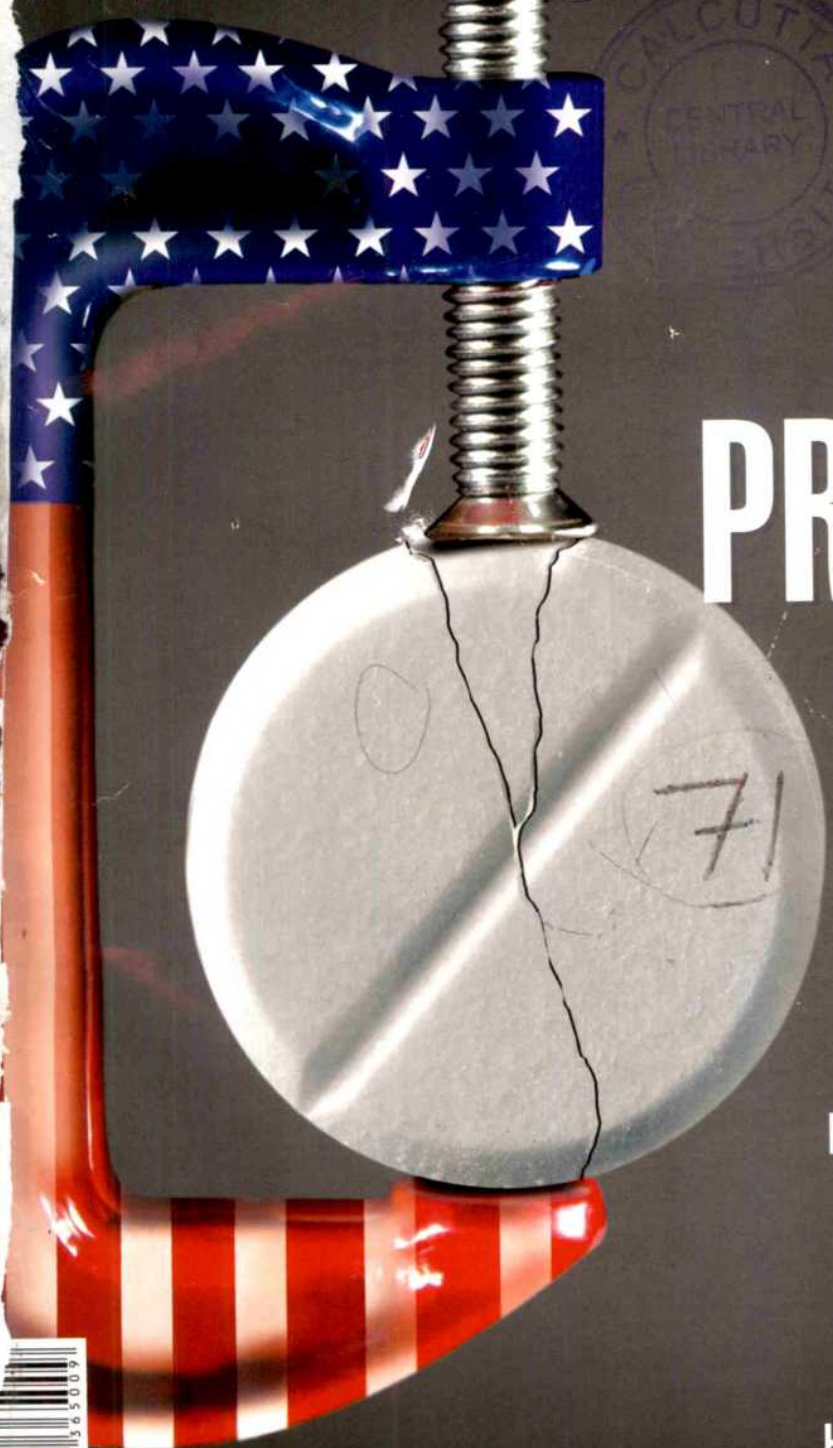

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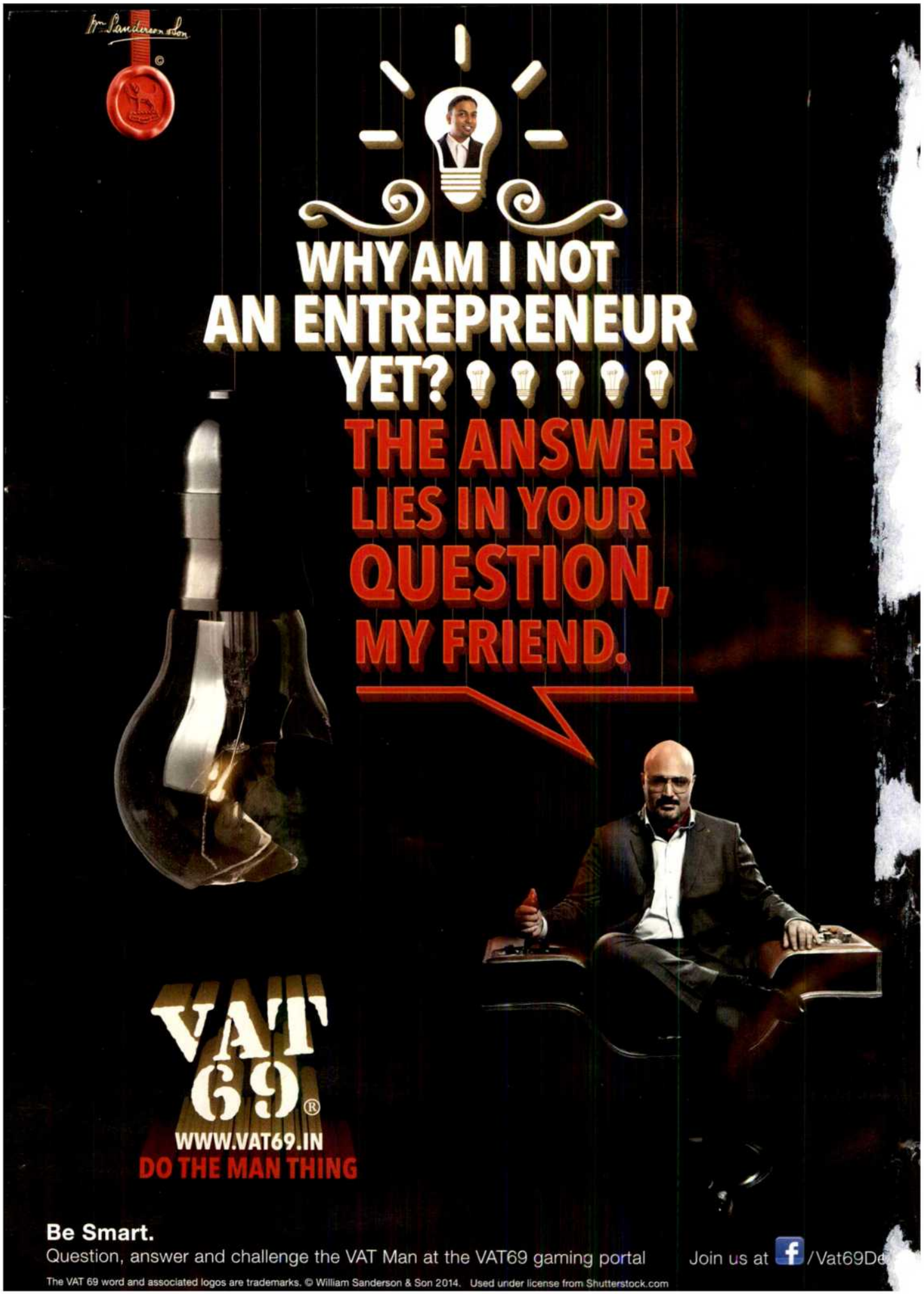
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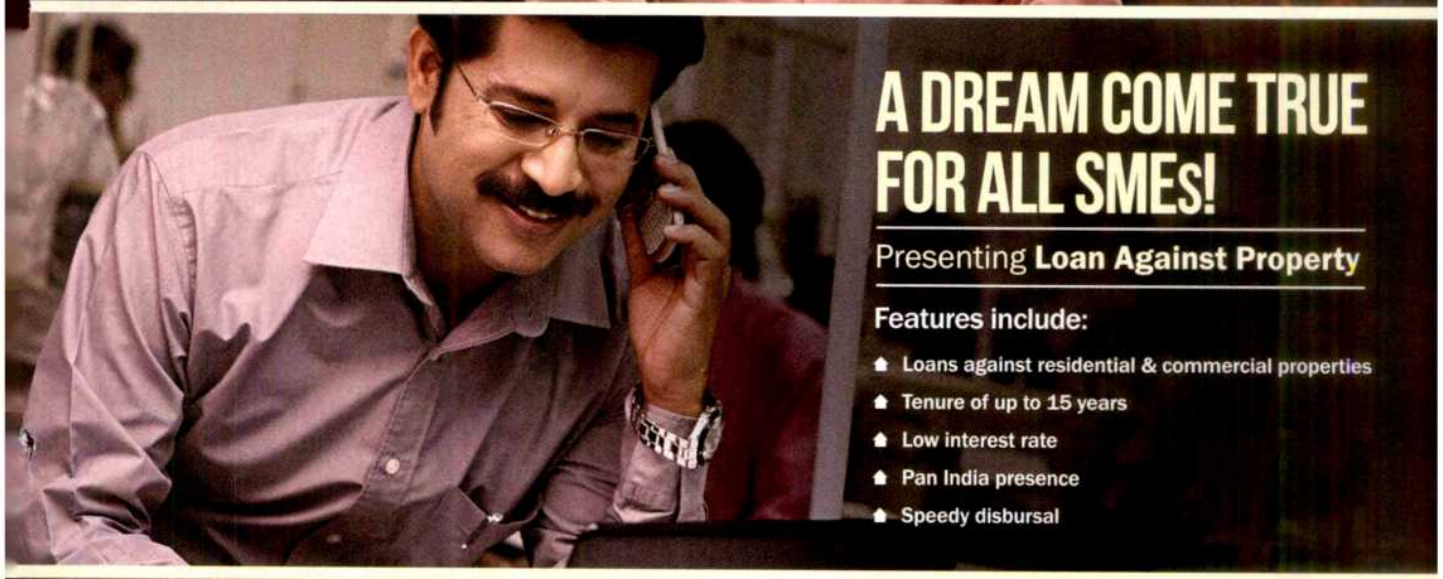

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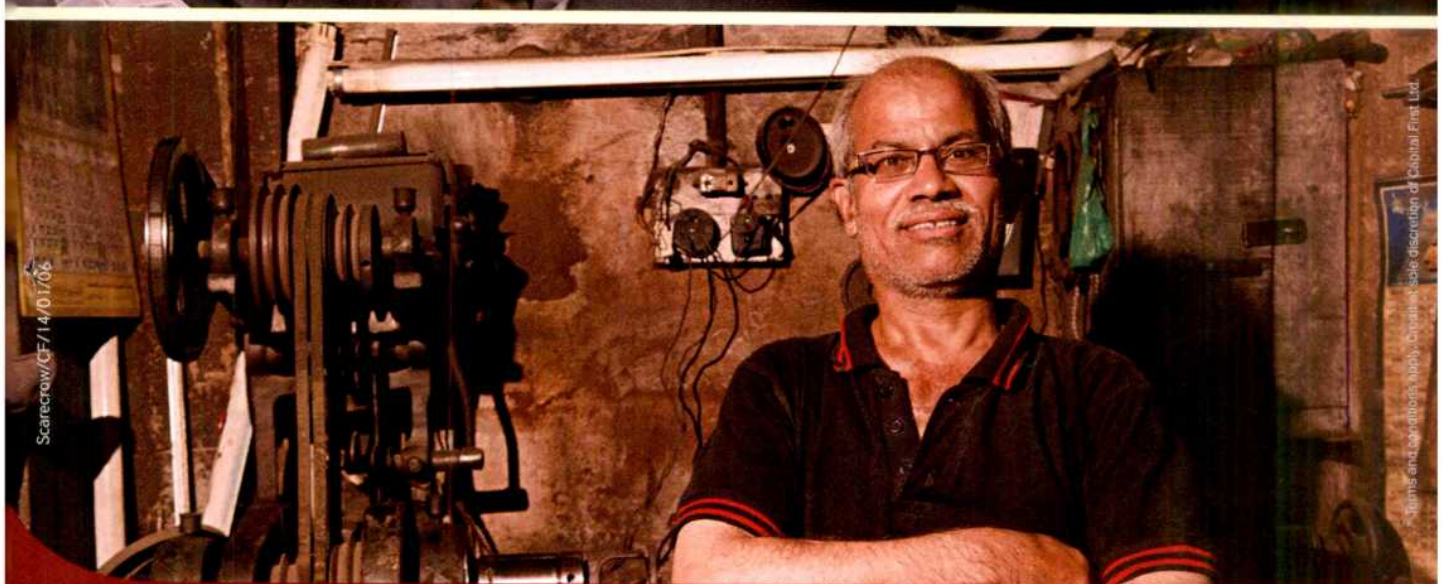

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Hubs at War

The two stories, *Made in India* and *Dragon on the Rampage*, (March 2) made a nice package – a comparison of China, the world's manufacturing hub – with India, the emerging hub. It compared the two countries, their advantages and disadvantages and how the scenario is changing. India has a couple of advantages, the rising wage costs in China and the weak rupee. It is clear that costs advantage is declining in China. But India is not able to take advantage of the situation.

Akhilesh K. Sah, *Faizabad*

Hurdles that Hurt

Your cover story was a good read. India definitely has many advantages over China. But there are a few hurdles. Indian markets are flooded with cheap Chinese products. The production costs for small manufacturers are much more than their earnings. Besides, there are other impediments such as high taxes, duty on imports, inflation and lack of scale in manufacturing. A policy paralysis in India can be blamed for the current situation. The new government should take some concrete steps to boost manufacturing in India and improve the economy

J.K. Dass, *New Delhi*

Silken Success

The article (*Weaving a New Tale, March 2*) has explained the present status of the silk industry nicely. India is the second-largest producer of silk in the world. I was happy to read that the industry is trying to revive itself. But we need stronger policies to address roadblocks such technology backwardness and the declining number of handloom weavers.

Manish Dudeja, *Noida*

Golden Opportunity

The feature, *Going Great Guns* (March 2), highlights the growing opportunities for the Indian private sector in defence manufacturing. Domestic manufacturing of defence equipment has boomed in the last three years. Now the challenge is to ensure that India becomes self-sufficient in defence-related manufacturing. Why should we spend thousands of crore of rupees to procure defence equipment from overseas? We can save a whopping ₹40,000 crore and can also eliminate corruption and scams in such deals. I think the next government should take serious steps in this regard.

Jacob Sahayam, *Thiruvananthapuram*

Inspiring Work

I was never a fan of self-improvement books. But after reading the reviews o *The Habit of Winning, (Treasure Trove of Anecdotes,* March 2) and then reading the book itself, I think it is an apt one for new-age students who might need it to boost their self esteem.

Love Chawla, *Kolkata*

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Is this Aam Aadmi Party effect? - **Shalini Jain**

Mukesh Ambani does not run the govt: Chidambaram
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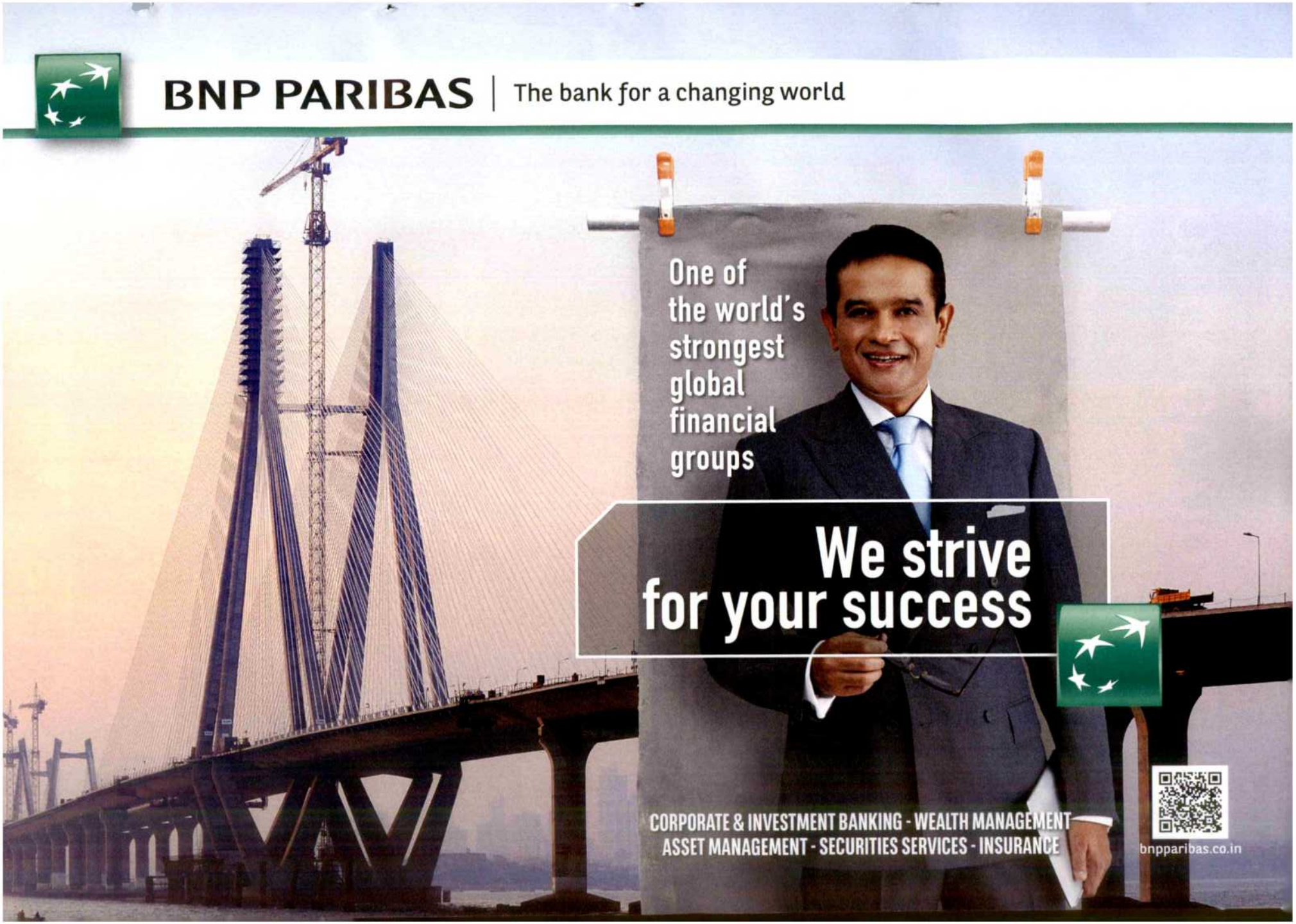
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Sounds too good to be true?

FROM THE MANAGING EDITOR

Red Bull or Alprax?

At one level, the union budget, a statement of accounts of the central government, is an overrated exercise in India. Especially, in the last two decades when the government's footprint in the economy has fallen and today stands at just 15 per cent measured by the Centre's expenditure as a percentage of GDP. (If you include state and local spending in India – and much of that can be traced back to the central government's books – as also that done by PSUs, the number will perhaps double.) Yet, the budget is not merely an exercise of balancing the government's numbers, and has increasingly been used as an occasion to make big policy pronouncements. By that yardstick, Finance Minister P. Chidambaram's last two budgets have been pretty drab. In the interim budget of February 17, he kept to his "red line" promise of containing the fiscal deficit within 4.8 per cent of GDP. Which in a year of contracting government revenues meant that there had to be cutbacks in spending. In a *Headlines Today* television show, Chidambaram insisted it was a "saving" and not a cutback. But the bad news is that the crimped plan spending, as Associate Editor Shweta Punj notes in her analysis of the budget on page 24, will hurt. Plan expenditure is considered better for the economy, focused as it is on schemes and projects, some with a five- to 10-year view. In the last 15 years, this is the only time plan spending has contracted for the third year running and it, I am certain, will take some years to heal. Shweta also has an interesting piece on how neither the Congress nor the Bharatiya Janata Party, the two main parties in the general election coming up, have their ducks lined up as far as the economy is concerned. "It's about the economy, stupid," she says she wants to scream if Rahul Gandhi or Narendra Modi will listen. Something needs shaking up, for sure.

Whether the Gandhi scion or Modi listen or not, there's another quarter in India that has its ears full with the role of governments and regulations: Indian Pharma. For the first time, drug makers in the world's preferred source of generic and cheap medications are panic-stricken. I use these words without exaggeration. The Food and Drug Administration (FDA) of the US has been looking closely at Indian drug makers for about six years now, when it set up an India office. From an approach of "how do I get all my documentation right to get FDA approvals", the story has moved on now to making sure all the quality commitments Indian drug makers signed up for are complied with on the ground. Many among Indian drugmakers believe it's the handiwork of a lobby of international big pharmaceutical companies that feels threatened by low-cost generics players. Maybe not if you see how FDA inspections are on the rise all over the world – from Canada to Japan, France to China. And, as FDA inspectors have found, the worst violations have been at big names such as Ranbaxy. It is anybody's guess, then, how badly Indian drugmakers lag FDA quality standards. Do read Associate Editor E. Kumar Sharma's cover story starting page 50. He and I believe the FDA inspections will eventually be good for Indian Pharma, as it shakes itself out of its slumber.

Millennials, or Generation Y, are commonly referred to as those who were born in or after 1979. The earliest of them in India, I am happy to note are hitting the big time. Two of them – Ankur Warikoo, CEO of Groupon India, and Nitesh Kripalani, an EVP at Multi Screen Media, which runs Sony and associated TV channels in India – enter *Business Today*'s much watched Hottest Young Executives (HYE) list of 25 this year. Turn to page 62 to look out for the Vineet Nayars, Prasoon Joshis, Manisha Girotras, and Tiger Tyagarajans (all from our HYE lists from the past) of the future.

Josey Puliyenthuruthel

josey.john@intoday.com
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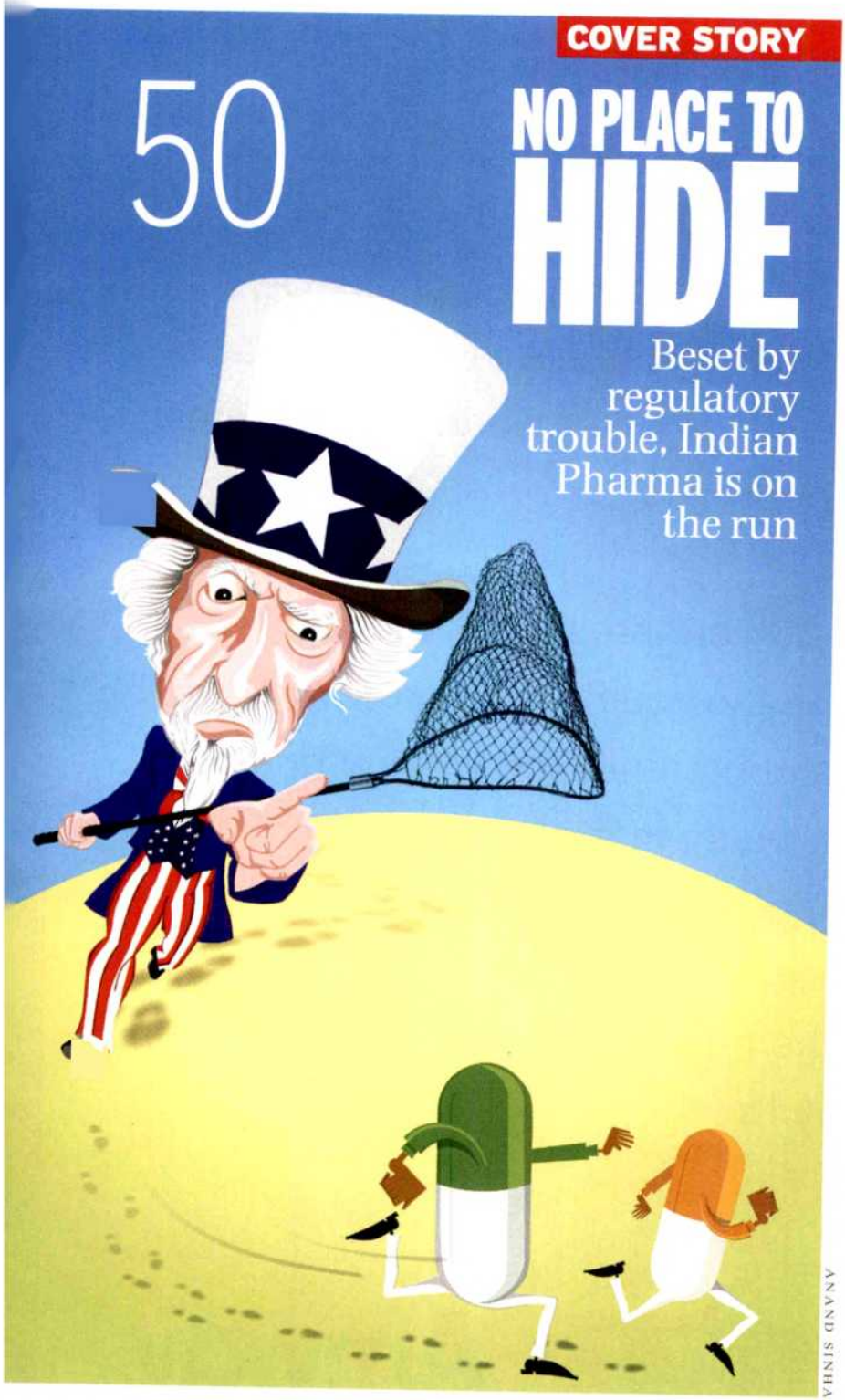

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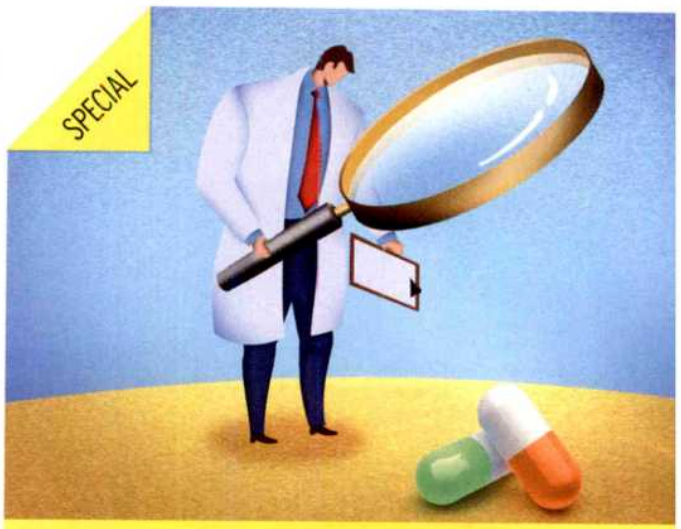

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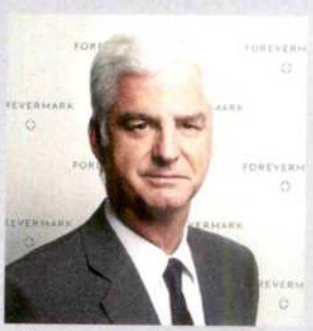

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RAMESH SHARMA

Telangana Tale: When the din over the bifurcation of Andhra Pradesh, thanks mainly to the agitation led by Telangana Rashtra Samithi's K. Chandrashekar Rao (bottom left corner), dies down, new opportunities are likely to emerge for politicians and bureaucrats vying for new posts. Besides, there could be growth potential for businesses too, including the real estate sector.

Corporate

Bharti Airtel, India's largest cellular operator by subscriber base, has entered into a strategic agreement with Loop Mobile to acquire its three million subscribers and some assets for about ₹700 crore. This is the first deal to be recorded since the government finalised the new mergers and acquisitions policy earlier this year.

The **2G spectrum auction** ended after 68 rounds and over 10 days of bidding, with the government getting bids totalling ₹61,000 crore for airwave slots in the 900 MHz and 1,800 MHz bands. The government is expected to receive more than ₹18,000 crore this fiscal, as companies are allowed to pay an up-front amount.

Facebook Inc is buying fast-growing mobile messaging startup WhatsApp for $19 billion in cash and stock in a landmark deal that brings the world's largest social network closer to the heart of mobile communications, and may bring more young users into the fold. WhatsApp is a leader among a wave of smartphone-based messaging apps that are popular in North America, Asia and Europe.

The Securities and Exchange Board of India has cleared new corporate governance norms that require companies to justify the salaries of CEOs, put in place whistle-blower policies and have orderly succession plans. The new norms provide for greater oversight by minority shareholders and independent directors.

The government has decided to take back coal mines awarded to some 50 companies on the basis that requisite milestones have not been met. The companies affected include **Adani Power**, **JSPL**, **Tata Group**, **Arcelor Mittal**, **Lanco**, **Hindalco** and **GMR**. Many of them that have invested in end-use projects or in coal blocks are set to move the court.

The **Tata Group** is India's most valuable brand with a value of $21.1 billion, in the Brand Finance Global 500 rankings. State Bank of India, Airtel, Reliance and Indian Oil Corporation also figure in the list, but have seen a fall in rankings. Apple Inc has retained its top global position with about $105 billion. **Samsung** ($79 billion) is in second place.

Cable operator Comcast plans to buy Time Warner Cable for about $45.2 billion in an all-stock deal that would combine the top two US cable companies. Comcast is already the dominant force, with nearly 22 million video subscribers compared to Time Warner Cable's estimated 12 million.

Ranbaxy Laboratories and Teva have agreed to settle an investigation launched by the New York Attorney General over claims that the two companies colluded to indulge in anti-competitive practices. The companies had agreed to pay $3,00,000 over an agreement inked in 2010 that barred the two rival drugmakers to challenge the other's claim to sell a generic drugmaker for an exclusive period.

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Economy

The **Competition Commission of India** plans to issue final orders within a broad time-frame of one year in matters where it decides to carry out detailed investigations, according its chief, Ashok Chawla. The number of complaints received by the watchdog, which keeps tabs on unfair trade practices in the marketplace, is on the rise.

State-run banks hired nearly 300,000 personnel, including more than 94,000 officers, in the last four years, according to the Indian Banks Association. A study by trade lobby Assocham in September 2013 indicated that banks would need 800,000 people in the next six years. It estimated that state-run lenders alone would hire 50,000 people in 2013/14.

The government has detected **customs tax evasion** totalling around ₹3,792 crore in 14 states until December. Maharashtra topped the list at ₹1,419 crore, followed by Andhra Pradesh at ₹814 crore, Delhi ₹546 crore, Gujarat ₹524 crore, Karnataka ₹167 crore and Tamil Nadu ₹161 crore.

Connaught Place in New Delhi slipped four notches to become the world's eighth most expensive expensive office location. London's **West End** is the world's most expensive office market.

40.72 lakh

The number of high-value spenders under the scanner of the income-tax department. The department has information that they have made cash deposits amounting to ₹10 lakh or more in their savings bank accounts in the current financial year. It plans to check potential evasion before the closing of the financial year on March 31.

$27 bn

Estimated pharmaceuticals sales in the country in 2016 – 14.4 per cent higher than a year ago. The life sciences and health-care industry is up against challenges such as quality management, says a recent Deloitte report.

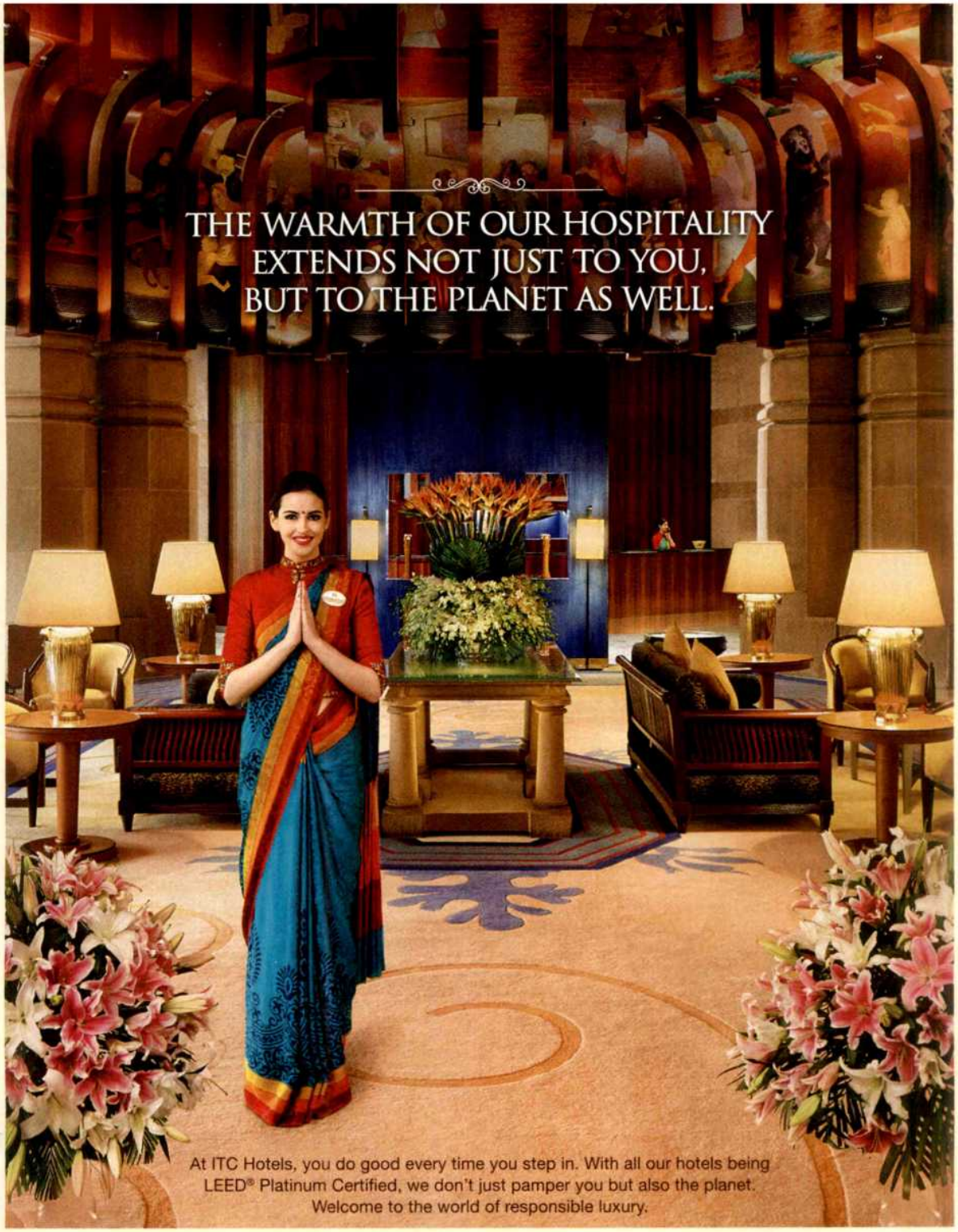
Markets

The **gross non-performing assets** (NPAs) of listed banks rose 35.2 per cent to ₹2.43 lakh crore during the first three months of this financial year. In absolute terms, the 40 listed banks added ₹63,386 crore to their gross NPAs in nine months, with the State Bank of India leading with an accretion of ₹16,610 crore.

The inflow of **smuggled gold** doubled in 2013, following government restrictions to curb the supply from official channels to contain the current account deficit. China surpassed India in the demand for gold for the first time in 2013 due to liberalisation of gold trading norms by its local governments.

Coming Up

- 3G spectrum in the 2100 MHz band should be made available by June and auctioned immediately after the new government takes charge, TRAI Chairman Rahul Khullar has said.
- The Reserve Bank of India plans to tap mobile banking in a big way. It has okayed in principle the setting up of a system to facilitate the transfer of funds from bank account holders to people without accounts, through ATMs. The new system will take care of safeguards such as transaction validation, customer identification and velocity checks.



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FOCUS

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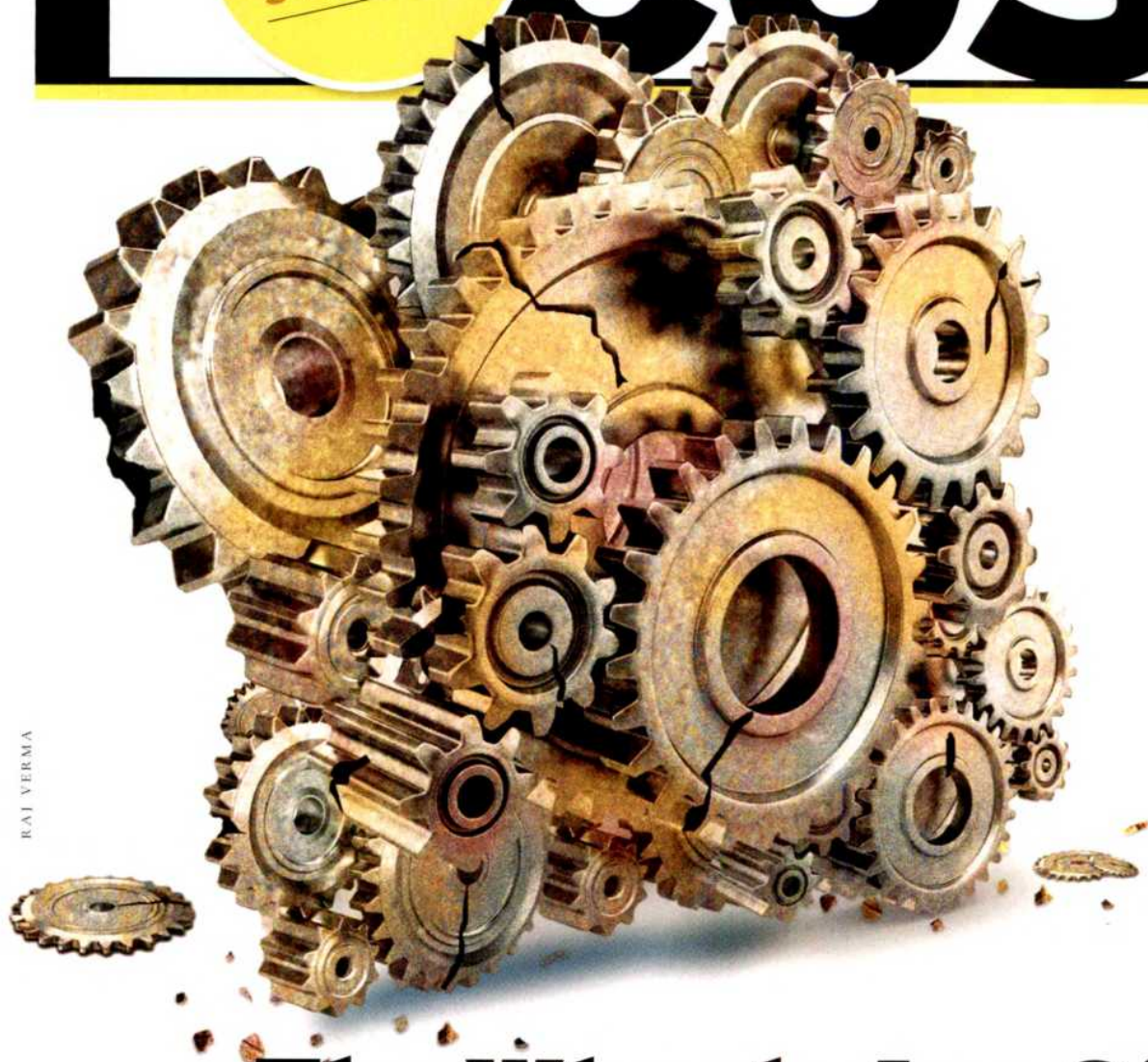


RAJ VERMA

The Wheels Are Off

The manufacturing sector is dragging down India's economic growth. By GOUTAM DAS

0.2%
Rate at which manufacturing output is seen falling in 2013/14

In his nearly hour-long interim budget speech on February 17, Finance Minister P. Chidambaram mentioned manufacturing 15 times. On one occasion, while talking about the state of the economy, he summed up the scenario aptly: "Manufacturing is the Achilles' heel of the Indian economy. The deceleration in investment in manufacturing is particularly worrying. Consequently, there is no uptick yet in manufacturing."

Advanced estimates released by the Central Statistics Office peg India's overall GDP growth in 2013/2014 at 4.9 per cent,

marginally above 4.5 per cent in 2012/2013. But manufacturing output is seen declining 0.2 per cent in 2013/2014 compared with 1.1 per cent growth the previous year, dragging down the overall economy. It is likely to be the worst year for manufacturing since 1999/2000. The sector has grown at an impressive clip over the years, with growth of around 10 per cent CAGR between 2005 and 2011.

The manufacturing sector's lacklustre performance has been driven by industries dependent on domestic demand. The nightmare is spread across many sectors, from metals and automobiles to capital goods and consumer durables. High interest rates capped consumer spending while slow decision-making by the government and land acquisition issues stalled projects and held back capital expenditure in the sector. "More than consumer spending, which is a significant portion, confidence level has an impact in India. That confidence level is low. The captains of industry are all waiting and watching," says S.V. Sukumar, Partner at KPMG India.

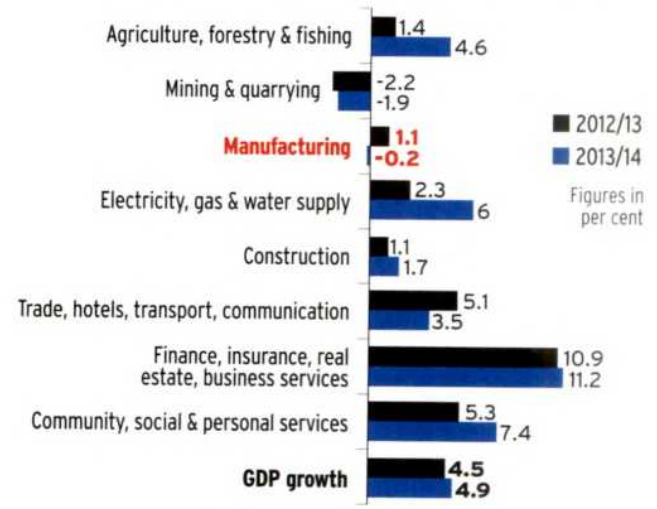
Production of consumer durables such as refrigerators and washing machines declined in the December quarter from the previous three months, says a Confederation of Indian Industry (CII) spokesperson. Production of machine tools also fell, indicating lower capital expenditure. According to a third party data provider, new investment projects announced in the manufacturing sector were down 70 per cent in 2012/2013 from 2008/2009. The slowdown has other consequences. The attraction of manufacturing is the sort of jobs it creates in other industries, says S. Viswanathan, Managing Director of agro-processing equipment company John Fowler India. "So when there is a slowdown in auto, there is an impact on several ancillary industries. The impact is much wider and the impact on GDP is much deeper," he adds.

Viswanathan thinks the solution is simple: government policies need to be clear. "It is an attractive proposition to manufacture in India now. But there needs to be clarity in policies. GST has been talked about for so many years. It is long overdue," he says.

Electronics manufacturers have been hit by the Information Technology Agreement (ITA 1) with the World Trade Organization.

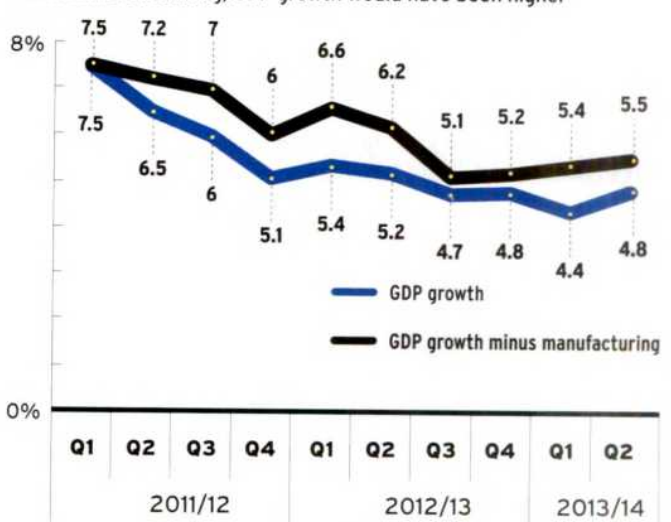
GROWING PAINS

GDP growth of different sectors. Manufacturing is way down in the list



BIG DRAG

Without manufacturing, GDP growth would have been higher



Source: Ministry of Statistics and Programme Implementation

₹ 34,545

IN THE RED

Industrial production has been falling, mostly because of slower manufacturing

% GROWTH OVER CORRESPONDING PERIOD OF PREVIOUS YEAR	DEC 13	DEC 12	APR-DEC 2013/14	APR-DEC 2012/13
IIP	-0.6	-0.6	-0.1	0.7
Mining	0.4	-3.1	-1.8	-1.8
Manufacturing	-1.6	-0.8	-0.6	0.6
Electricity	7.5	5.2	5.6	4.6

Source: Ministry of Statistics and Programme Implementation

THE GOVERNMENT IS TAKING STEPS TO BOOST MANUFACTURING BUT EXPERTS DO NOT SEE A REVIVAL UNTIL 2014/15

Foreign companies dumped their electronic products in India and imports replaced domestic production following the agreement signed by India in 1997 which made many electronics products such as notebook computers duty free. These products account for a significant part of electronic consumption in the country and India caters to the demand through large-scale imports. "We have said that as far as ITA 1 is concerned, let's give deemed exports status to the industry. That will bring them on a par with imported products that are flooding the market right now," says P.V.G. Menon, who was President of the India Electronics and Semiconductor Association until recently. "Let's also start implementing the Preferential Market Access policy norms. If we get these two to begin with, Indian industry will get a fighting chance." The policy gives preference to locally made electronics goods in government and private sector procurement.

The government is finally taking steps to help the sector. The interim budget proposed changes in indirect taxes to boost manufacturing, including cutting the excise duty on some goods in the capital goods and consumer non-durables sectors such as electrical and construction to 10 per cent from 12 per cent. Chidambaram has also proposed reducing the excise duty for the automobile industry as well as restructuring it for mobile handsets to encourage domestic production.

The Cabinet Committee on Investments has started fast-tracking stalled projects. Chetan Bijesure, Director and Head of Manufacturing at industry lobby FICCI, says the government has helped resolve issues relating to 137 big-ticket projects entailing an investment of ₹4.9 lakh crore. "We have been informed that of these 137 projects, 89 projects worth ₹3.5 lakh crore, belonging to both the private and public sector, are under initial stages of implementation," he says.

But these moves will take time to kick in and experts do not see a revival until 2014/2015. "Industrial growth is likely to remain weak for the rest of 2013/14 owing to infrastructure bottlenecks, input constraints, and weak domestic demand. Robust growth in exports may, however, provide some cushion to manufacturing activity," says a KPMG report. ◆

@Goutam20

UNDER PRESSURE
Why manufacturing is down

- High interest rates
- Lack of domestic demand
- High oil/energy prices
- Pressure for increased wages
- Legislative or regulatory pressures
- Decreasing profitability
- Unavailability/high price of raw materials
- Competition from foreign markets
- Foreign exchange volatility

Source: KPMG

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Budgeted Wrong

P. Chidambaram may have met his fiscal deficit target, but he has narrowed options for the next finance minister.

By SHWETA PUNJ

Finance Minister P. Chidambaram's swan song will haunt his successor. As he highlighted his achievements in controlling the fiscal and current-account deficits on February 17 during the vote-on-account, the government's last budget before elections due by May, he also outlined a rather optimistic vision for 2014/15.

Chidambaram drew upon dividends and profits of ₹88,188 crore from state-run companies and also dipped into non-tax revenue to rein in the fiscal deficit at 4.6 per cent for 2013/14. He cut plan expenditure as well, a move that hasn't found favour with some economists. "Lower plan expenditure, which accounts for 30 to 35 per cent of the government's overall spending, will have a direct impact on economic growth, future tax collections and fiscal deficit targets," says Siddhartha Sanyal, Chief India Economist at Barclays. "The cut in plan expenditure can't be continued like this."

CHIDAMBARAM IS LEAVING BEHIND A TOUGH TASK FOR THE NEXT FINANCE MINISTER – TO KEEP THE FISCAL DEFICIT FOR 2014/15 AT 4.1 PER CENT

Chidambaram is leaving behind a difficult task for the next finance minister – to keep the fiscal deficit for 2014/15 at 4.1 per cent. Why? He is keeping a tight leash on government borrowings. Net market borrowings for next year are estimated to be ₹457,321 crore, down 2.5 per cent from this year's revised estimates. But he has projected gross tax revenue to grow 19 per cent compared with 11.8 per cent this year. Similarly, indirect tax receipts have been estimated to grow 18.8 per cent. The targets seem high given the slowdown in the economy. "Your reach must be beyond your grasp... I set high targets," Chidambaram said after presenting the interim budget.

A few more things will make the next finance minister's job difficult in keeping the fiscal deficit under control. Interest payments for 2014/2015 are estimated at ₹427,011 crore, up 12 per cent from this year. The amount estimated for debt repayment jumps by a massive 51 per cent to ₹247,173 crore. Overall, the next government will have to spend nearly two-thirds of its tax revenue for interest payments, debt servicing and subsidies – that's nearly half of the total expenditure.

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[1] Based on IBM comparison of configuration and setup by customer onsite versus delivered by IBM using Intelligent Cluster service which is an optional feature available at additional cost.
[2] 3x cores based on industry standard 42U rack comparing 42 1U x3550 M4 rack servers with 2 Intel® Xeon® E5-2690 processors 8 cores each = 672 cores vs 84 NeXtScale System nx360 m4 nodes with 2 Intel Xeon E5-2600 v2 processors 12 cores each for 2016 total cores.
[3] SPECint_rate_base2006 - 669 on IBM iDataPlex dx360 M4 (Intel Xeon E5-2690) vs. 918 on IBM NeXtScale nx360 M4 (Intel Xeon E5-2697 v2.) www.spec.org. Results current as of 20/09/2013.
[4] SPECpower_ssj2008 - 5392 on IBM iDataPlex dx360 M4 vs. 7347 on IBM NeXtScale nx360 M4.www.spec.org. Results current as of 20/09/2013.

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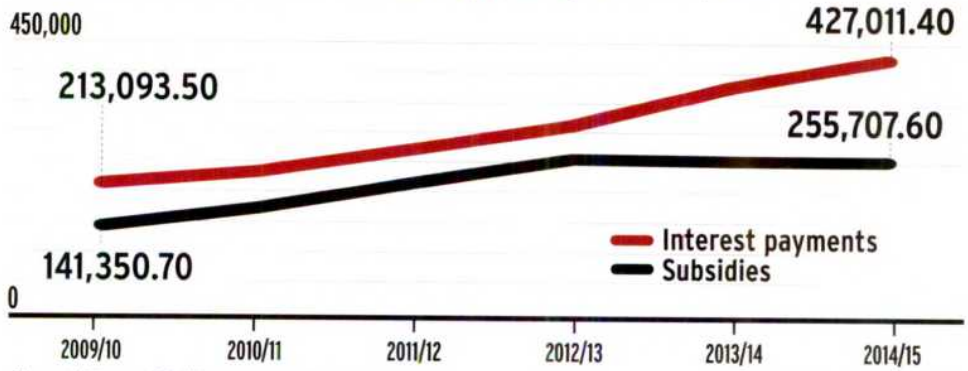
HEAVY BURDEN

Interest payments and subsidies account for a large part of government expenditure



Figures in ₹ crore; 2014/15 numbers are budget estimates

Source: Budget documents

CHIDAMBARAM HAS PROJECTED GROSS TAX REVENUE TO GROW 19 PER CENT NEXT FISCAL YEAR COMPARED WITH 11.8 PER CENT THIS YEAR

The share of subsidies has been lowered to 1.9 per cent of gross domestic product (GDP) next fiscal year compared with 2.2 per cent this year. "The process of fiscal consolidation will be next to impossible without focussed subsidy reform... It is extremely essential to ensure that proper systems are put in place for better targeting of subsidies," Chidambaram said in a statement tabled in Parliament under the Fiscal Responsibility and Budget Management (FRBM) Act, 2003. While total subsidies for next year are only marginally higher, Chidambaram rolled over ₹35,000 crore of fuel and fertiliser subsidy payments to 2014/15, leaving the next government to deal with the problem. Moreover, the government will roll out the food security law in 2014/15. "The food subsidy scheme will have to undergo a massive overhaul with the introduction of the Food Security Act," he said.

Analysts have raised doubts over Chidambaram's calculations and assumptions. "The bigger issue is on the expenditure side. We have three huge subsidies, and the new government will face a big challenge," says Samiran Chakraborty, Chief Economist, Standard Chartered Bank India. Chakraborty says the excise duty cuts announced in the interim budget will also pose problems for the next government. "They have opened a Pandora's box. There is an expectation the cut will continue beyond June 30. Other sectors would also raise similar demands," he adds. In the interim budget, Chidambaram cut excise duties on a few sectors such as automobiles, capital goods and consumer non-durables.

The new finance minister will have two options to keep the fiscal deficit under control. One, cut back on expenditure. Two, increase expenditure – which is essential for growth – even at the cost of slippages and look for alternative sources of revenue. The FRBM Act mandates a reduction in the fiscal deficit of about 0.6 percentage points in each of the coming three years to reach three per cent of gross domestic product by 2016/17.

In a slowing economy, with tax revenues on a slide and the tax-to-GDP ratio falling, the new finance minister can either revise tax rates, expand the tax base or ensure better compliance. India's tax-to-GDP ratio reached its peak in 2007/08 at 11.9 per cent and then slid to 9.7 per cent two years later. In 2012/13, the ratio was 10.2 per cent. But, it is still one of the lowest in the world.

The new finance minister would have to continue with the diesel price decontrol policy to keep fuel subsidies under control. But curtailing expenditure on welfare programmes such as the Mahatma Gandhi National Rural Employment Guarantee Act and the Food Security Act will be difficult. "Schemes like MNREGA and the Food Security Act are holy cows which can't be touched," says Abheek Barua, Chief Economist at HDFC Bank. He says Chidambaram's obsession with keeping the fiscal deficit below 4.8 per cent is turning out to be dangerous for the economy. "Just because he announced a 'red line', he can't make the job of the next finance minister tougher," Barua adds. ◆

ADDITIONAL REPORTING BY MANU KAUSHIK, RESEARCH INPUTS BY JYOTINDRA DUBEY

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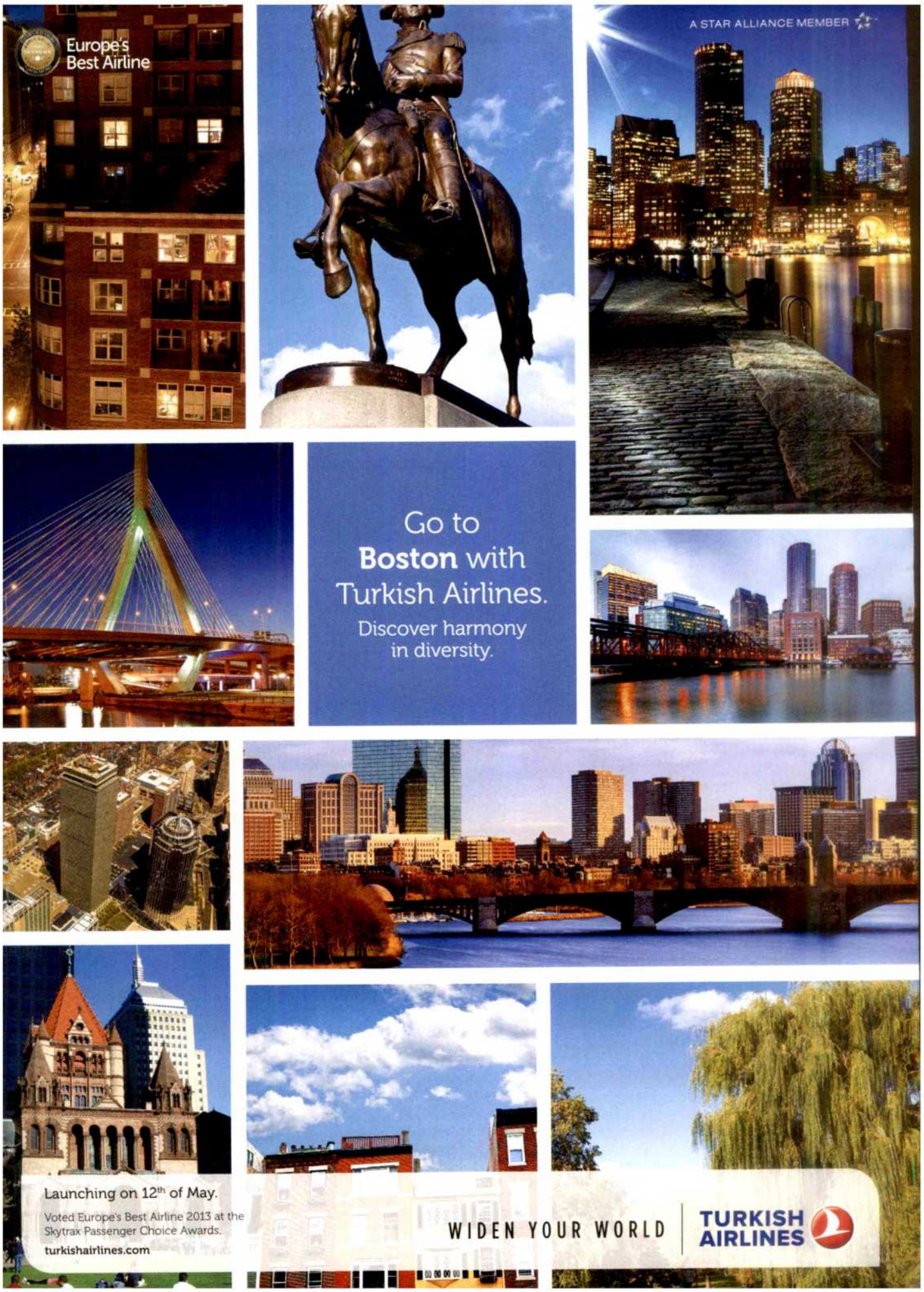
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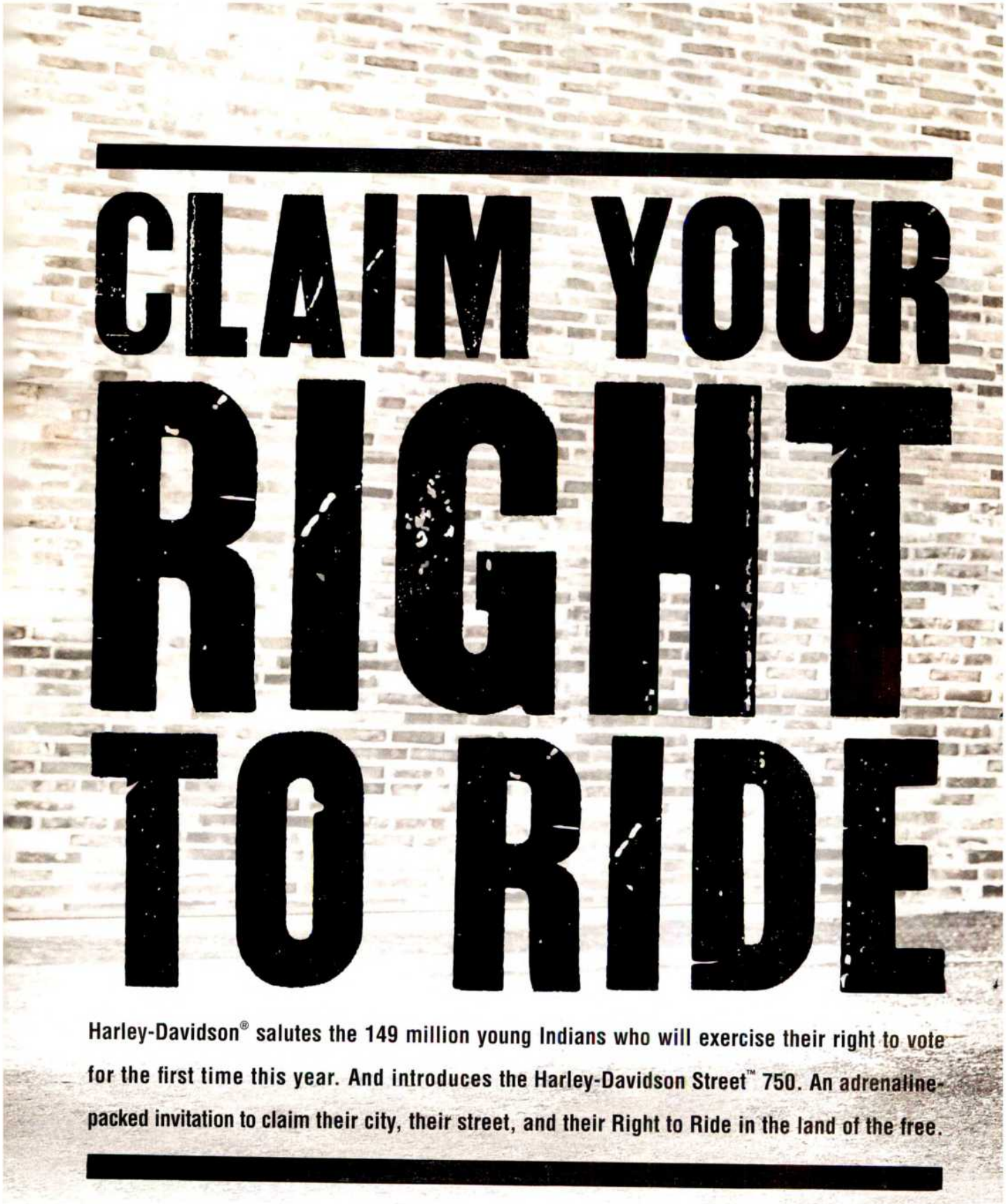

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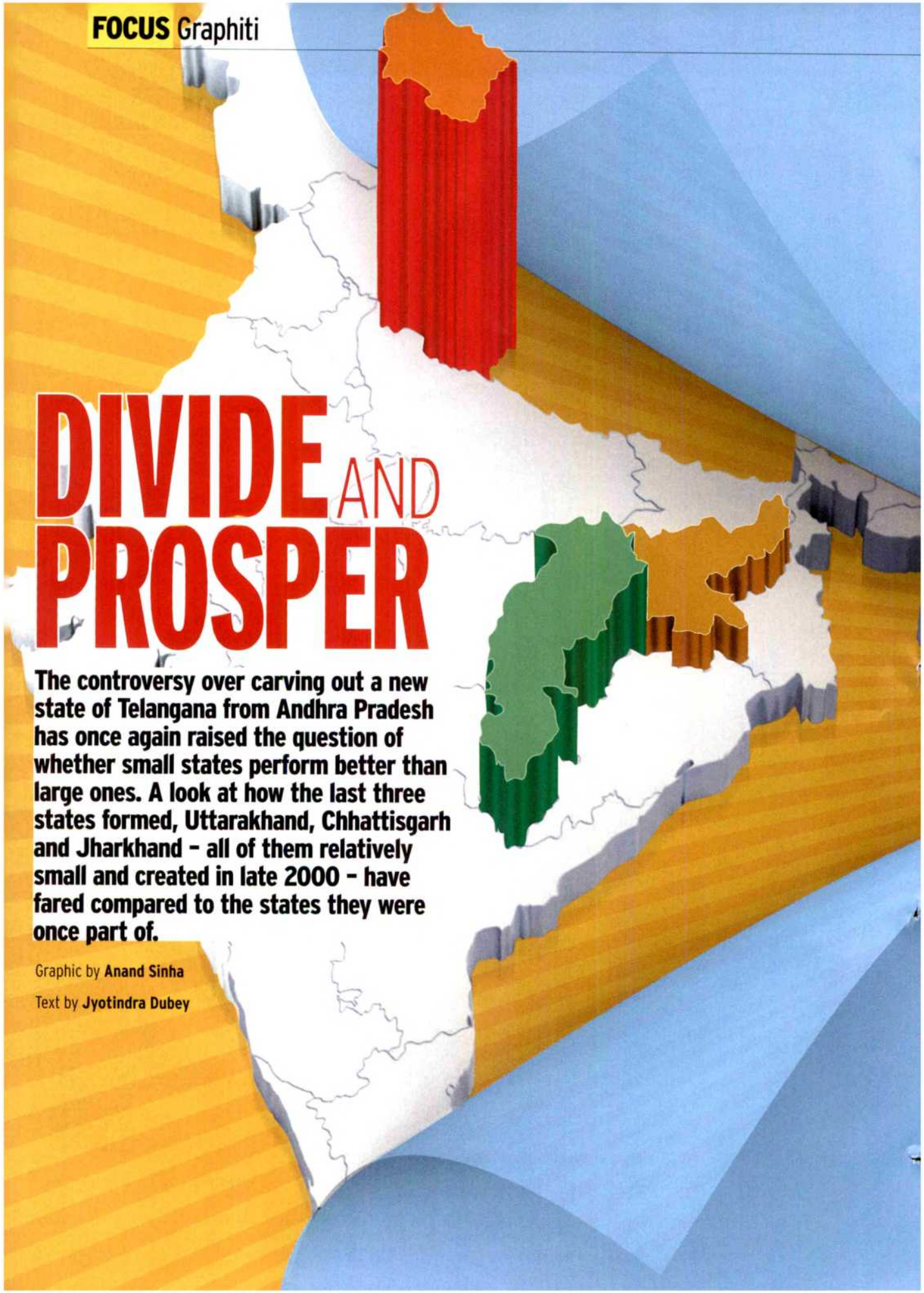
The Republic



DIVIDE AND PROSPER

The controversy over carving out a new state of Telangana from Andhra Pradesh has once again raised the question of whether small states perform better than large ones. A look at how the last three states formed, Uttarakhand, Chhattisgarh and Jharkhand – all of them relatively small and created in late 2000 – have fared compared to the states they were once part of.

Graphic by **Anand Sinha**

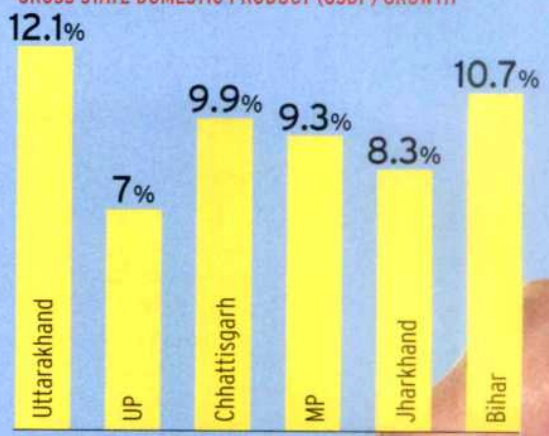
Text by **Jyotindra Dubey**

1 All three new states, Uttarakhand, Chhattisgarh and Jharkhand, have grown faster after they separated than when they were part of Uttar Pradesh (UP), Madhya Pradesh (MP) and Bihar, respectively. Jharkhand dipped initially, but has since recovered.

GROSS STATE DOMESTIC PRODUCT (GSDP) GROWTH

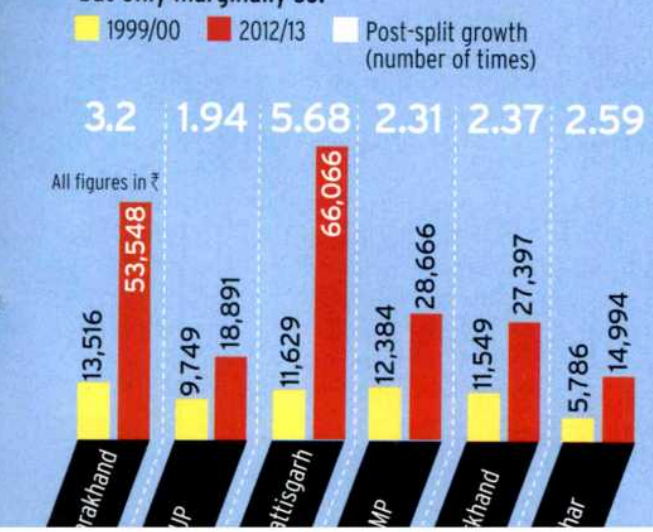
2 Uttarakhand and Chhattisgarh have both performed better in recent years than their mother states, UP and MP, Uttarakhand by a long way. The same, however, cannot be said of Jharkhand, which has lagged behind Bihar.

GROSS STATE DOMESTIC PRODUCT (GSDP) GROWTH

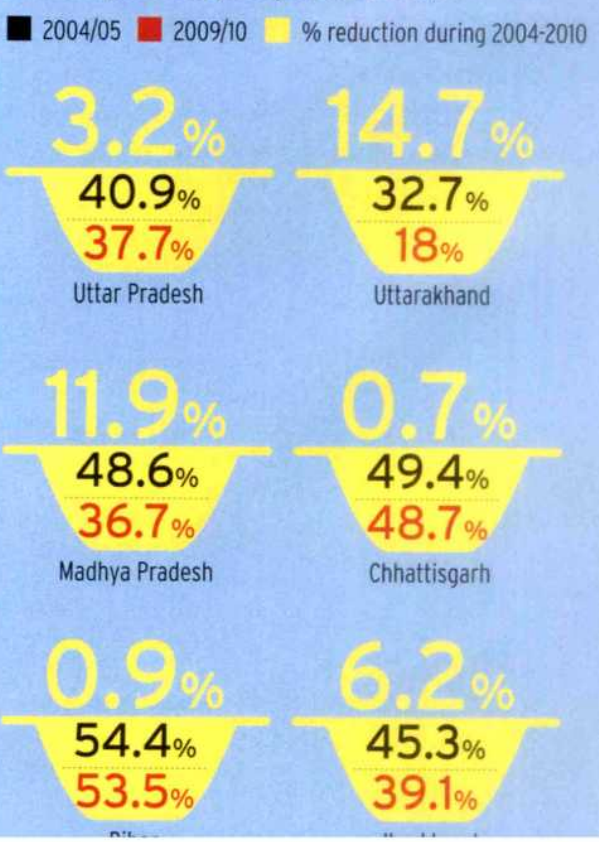


Figures are averages for the period 2006/07 to 2012/13

3 Per capita income in both Uttarakhand and Chhattisgarh has grown faster than in their mother states. Jharkhand is behind Bihar, but only marginally so.



4 Uttarakhand and Jharkhand have reduced poverty at a faster pace than their mother states. Strangely, Chhattisgarh fares poorly on this metric



Seesaw Battle

A recent TRAI ruling may break the monopoly of content aggregators set up by TV broadcasters. By AJITA SHASHIDHAR

The recent decision of the Telecom Regulatory Authority of India (TRAI) barring content aggregation companies from making bulk deals is another twist in the continuing battle between TV broadcasters and cable operators. Lately the former have had the upper hand, but the TRAI's intervention could well make it a more equal contest.

RAJ VERMA

It all began in the days of analog TV, when the fate of broadcasters depended on the willingness of cable operators to beam their channels. Realising their power, cable operators charged broadcasters ever increasing carriage fees and the latter were in no position to bargain.

AGGREGATOR COMPANIES ARE BARRED FROM MAKNG BULK DEALS WITH CABLE OPERATORS

That was when the broadcasters thought of setting up content aggregation companies – rivals otherwise, they decided to come together for the limited purpose of breaking the stranglehold the 60,000-strong army of cable operators had over them. Thus Star India and Zee Entertainment formed Media Pro in 2011, which negotiated with cable operators on carriage fees for the entire bouquet of channels the two broadcasters had. This improved their bargaining position considerably as no cable operator could afford to boycott all the 100-odd channels of Star and Zee. Media Pro was soon followed by IndiaCast, the aggregation arm of Viacom 18 which has close to 34 channels. Multi Screen Media (which owns Sony channels) was already in the aggregation business with One Alliance.

The coming together of broadcasters shifted the balance of power in their favour. It was now the turn of cable operators to complain about the monopoly of broadcasters. Cable operators said some channels were being pushed down their throat at a 50-60 per cent mark-up. "The aggregators have been forcing us to buy even non-performing channels," says Jagjit Singh Kohli, Managing Director, Digicable, a multi-service operator.

The TRAI move is aimed at breaking the monopoly of aggregators. Though the regulation doesn't specify the dissolution of aggregators, six months from now they will have to seal individual deals for each broadcaster they represent. Media Pro – which represents Zee, Star and Turner – will have separate contracts for each broadcaster, which will lead to a conflict of interest in bargaining for frequency and rates. "We are going to be there in a different avatar now, as agents of broadcasters," says Anuj Gandhi, COO of IndiaCast.

But Punit Goenka, Managing Director, Zee Entertainment, says Media Pro was always a time-bound deal: "It is a five-year deal and we are in the third year. The day Media Pro is not required we will dissolve it." Not everybody is optimistic. "Unless there is a retail tariff mechanism, the broadcasters will continue to bully," says Tony D'Silva, Managing Director, IndusInd Media and Communications.◆

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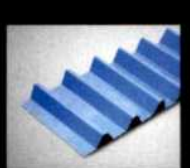

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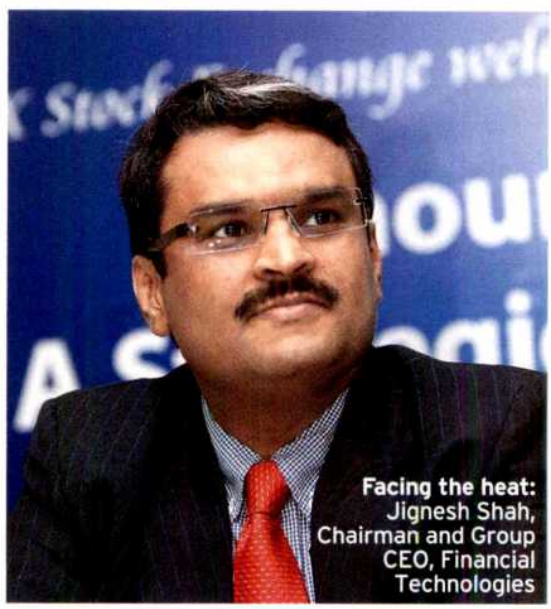
Regulator's Riddle

Why does SEBI want brokers to acquire a second software vendor? By MAHESH NAYAK



RACHIT GOSWAMI

Facing the heat: Jignesh Shah, Chairman and Group CEO, Financial Technologies

SHAH HAS TOLD BROKERS TO GO TO COURT AGAINST SEBI. BUT LEGAL ACTION MAY NOT HELP

The woes of Jignesh Shah, already in trouble over last year's scam at the National Spot Exchange Ltd (NSEL), seem to be multiplying. The Securities and Exchange Board of India (SEBI) has asked stock exchanges to advise stock brokers to do business with more than one software vendor. This will impact Shah whose company, Financial Technologies (FT), offers the trading software ODIN that has more than two-thirds of the trading platform market.

SEBI also wants brokers to enter into agreements with their vendors to keep the source code of the trading software with a third party or in an escrow, so that it can still be accessed if the vendor goes bust.

Most traders on stock exchanges work on wafer-thin margins and acquiring another trading software provider means additional costs they can ill afford. For a small broker with, say, 10 terminals, the cost would be over ₹10 lakh a year. "For an entity like Geojit, with a network of over 500 offices, the cost could be anywhere between ₹2.5 crore and ₹3 crore a year," says A. Balakrishnan, Chief Technology Officer at Geojit BNP Paribas Financial Services. It also presents practical difficulties. "It is like asking banks to install two core banking solutions, which is impossible. You can at best have one core banking solution with other supporting software," he adds. "It is difficult to maintain two software systems since they are never identical. The broking business is purely data driven. If one software system fails, the other can't automatically take the database of the first one and keep the system running smoothly."

₹2.5 crore
The likely cost per year of keeping another trading software for mid-sized brokerages

But neither is it fair to blame the regulator. The NSEL fiasco, which has left the exchange owing ₹5,500 crore to around 13,000 investors, has eroded all round faith in Shah, the promoter of the exchange. SEBI is keen on ensuring that in case FT totters, back-up systems are in place. To avoid trading disruption in case one software provider fails, it has suggested keeping an alternative vendor as well.

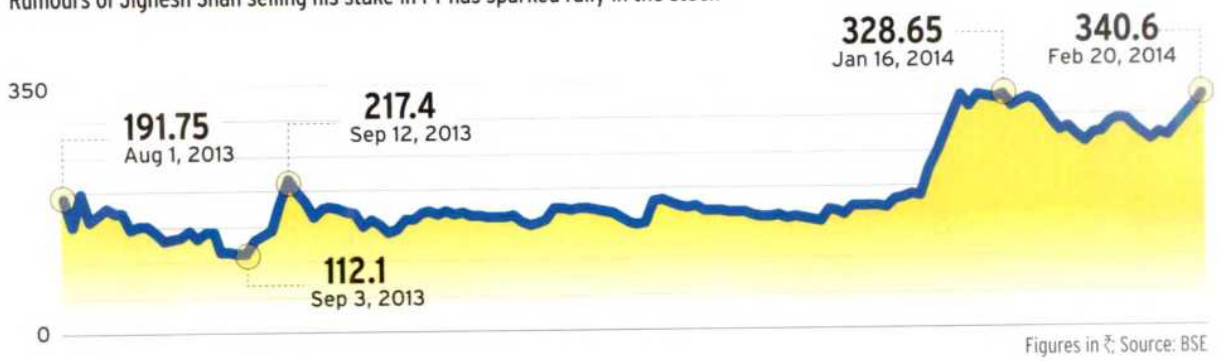
But which vendor would be willing to share? Getting access to design and development specifications from vendors is asking for too much, say traders. "The suggestion to have an escrow account is good, but it is only legal protection. Technically it has no use. This never happens anywhere in the world," says Balakrishnan.

And why has SEBI woken up over seven months after the NSEL scam broke out? "We are taking cautious steps before anything untoward happens in the market. SEBI has to safeguard the interests of investors," says a SEBI official.

There has been no official response from FT on the development so far. Shah has advised brokers to go to court against SEBI, says a

BULL RUN

Rumours of Jignesh Shah selling his stake in FT has sparked rally in the stock



Figures in ₹; Source: BSE

trader on condition of anonymity. "There is no legal recourse for software vendors against the regulator," says Jay Parikh, Partner at Verus Advocates. "SEBI's order is in the nature of an advisory. It is not a diktat. Also it is the exchange and not the regulator which has advised the stock brokers."

One of FT's rivals in the trading software market is the National Stock Exchange (NSE) with its own software. NSE has a monopoly over the equities market but FT is the leader in the trading software platform market. NSE has tried hard to attract brokers to its platform offering freebies and improving its software but it has not succeeded in making a major dent so far. SEBI's latest move will benefit the NSE.

There are also market rumours, however, that Shah is close to selling his stake in FT. That likelihood too may have led to SEBI's advice. It is widely believed that a deal may be announced shortly – and that is why, despite Shah's problems, the FT stock has jumped 27 per cent in five trading sessions, between February 13 and February 20, the price surging from ₹268.50 to ₹340.60.

It remains to be seen how many brokers actually heed SEBI's advice to tie-up up with two software vendors, given the costs involved. ◆

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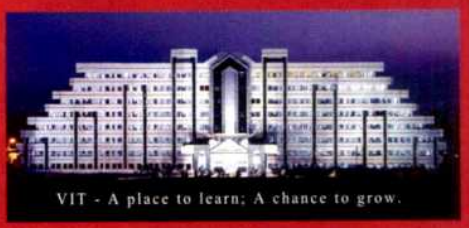

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MISSING

Both Narendra Modi and Rahul Gandhi have presented their pragmatic solutions to the most pressing problems facing

NARENDRA MODI
BJP

- Projects himself as a good administrator and leader for development
- Talks about launching bullet trains, interlinking rivers, optical fibre networks
- Suggests building a real-time database of farm goods to tame inflation
- Vows to create one crore jobs if voted to power

On a cloudy January afternoon, barely two weeks into the New Year, Finance Minister Palaniappan Chidambaram met with two industry delegations at Jawahar Bhawan in Lutyens' Delhi. He listened intently as officials of the Confederation of Indian Industry and the Federation of Indian Chambers of Commerce and Industry stressed on the need for the Congress-led United Progressive Alliance (UPA) to spell out its economic vision in its manifesto for the general elections due by May. The manifesto, the officials said, should focus on creating jobs and making it easier for businesses to operate, rather than just on welfare programmes, to boost economic growth.

Days later, the opposition Bharatiya Janata Party (BJP) called for a similar meeting at its headquarters, where senior leader Murli Manohar Joshi met with industry associations to understand issues that are hurting the economy. The Congress and BJP are not just interacting with industry bodies in the run-up to polls. They are also talking to economists, labour unions and civil society groups, besides tapping into social media, to get inputs for the manifestos that will form the basis of their economic policy if voted to power. The aim of these discussions is to develop a broad-based agenda that appeals not to some narrow vote bank but to a wider audience. "Different parts of the country require different efforts. You cannot have a one-size-fits-

THE MARK

broad economic vision, but neither has offered any the Indian economy. BY SHWETA PUNJ

all approach," says Ajit Ranade, Chief Economist at Aditya Birla group.

While the two biggest national parties haven't yet announced their manifestos, BJP's prime ministerial candidate Narendra Modi and Congress Vice President Rahul Gandhi have indicated their positions on economic issues. Both are seeking to cash in on a sense of disenchantment among people. But, the electoral debate has so far focused more on empty rhetoric. And both Modi and Gandhi have failed to come out with definite strategies to deal with the most crucial issues facing the economy – slowing growth, rising prices, fewer jobs and falling investments.

Economic Model

Gandhi, widely believed to be the Congress's choice for the PM's post, has indicated a continuation of the rights-based welfare model followed by the UPA government so far. In January, he favoured increasing the cap of subsidised cooking-gas cylinders for households. Days later, the government raised the annual cap on subsidised cylinders to 12 from nine per household. The anti-reform move sent a negative signal to industry and investors. Congress spokesperson Sanjay Jha defends the party's social welfare agenda. "Economic growth does not mean free-market capitalism without responsibility," he says. "We need a better social security net."

RAHUL GANDHI
CONGRESS

Talks about social welfare schemes and subsidies

Suggests modernising the supply chain and improving infrastructure to tame prices

Wants states to crack down on hoarding and profiteering

Aims to make India a manufacturing hub of the world

ILLUSTRATIONS BY RAJ VERMA

LORD MEGHNAD DESAI/ Economist and member of the UK's House of Lords

"Indian politicians don't want to talk about costs. They only want to talk about benefits"

Not everyone is convinced, though. Critics say the UPA's massive expenditure on social welfare schemes has bloated the fiscal and current-account deficits. That has prompted warnings of a downgrade from ratings firms, weakened the rupee and dragged economic growth down. "The philosophy of the Congress has been to distribute the cake, not to increase the size of the cake," says an economist who does not wish to be named. "They have done little to promote growth."

Also in January, Modi laid out a grand vision for India at a BJP meeting. The Gujarat chief minister spoke about launching bullet trains, interlinking rivers and laying optical fibre networks. The plan evoked mixed reactions. His critics called it unimaginative and lofty while his supporters termed it visionary. Modi's development model in Gujarat has also polarised opinions. Columbia University professor Arvind Panagariya has lauded the Gujarat model for accelerated and all-round progress. On the other hand, Nobel laureate Amartya Sen has criticised the Gujarat model, saying it has done little to improve education, health care and human rights.

Inflation, Jobs

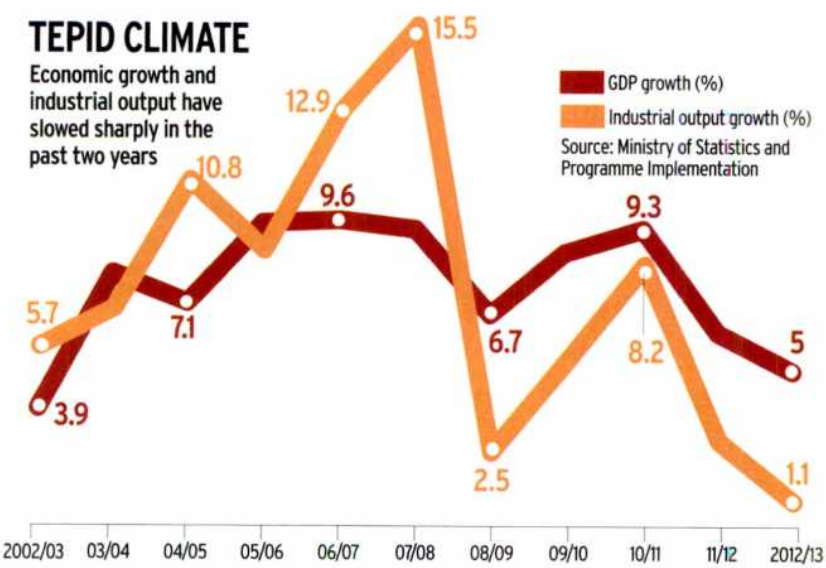
India has been fighting a losing battle to control inflation for more than three years. The battle has been led mainly by the Reserve Bank of India, which has raised interest rates several times. But this has had little effect because inflation in the country is a result mostly of supply-side constraints and not of high demand. Price rise was an important reason behind the Congress's rout in four assembly elections last year. Inflation averaged 6.7 per cent during the UPA's rule until 2012/2013, compared with 4.8 per cent when a BJP-led alliance was in power from 1998/99 to 2003/2004. "Growth cannot be sustainable unless inflation is tackled," says Sonal Verma, India economist at brokerage Nomura.

In December 2013, Gandhi said at a FICCI meeting the government must crack down on hoarding and profiteering, a stand that Congress-ruled states later agreed with, to tame inflation. He also stressed on the need to modernise the supply chain and ease infrastructure bottlenecks. But he offered few specific steps to do so.

Modi has offered a technology-based solution to control inflation. He said that digital technology should be used to make a real-time database of agriculture goods and prices. This database will indicate demand and supply of various goods, and will help control prices. Such a system, however, can work only if the retail industry is fully organised. That is unlikely to happen anytime soon. Moreover, the BJP has opposed the entry of foreign players in multi-brand retail, an important reform measure that the UPA has been trying to push through.

Another issue that should be high on the government's agenda is employment generation. But the electoral debate has not focused much on the topic. This is surprising given that an estimated 12.8 million people join the workforce every year. The annual pace of job creation has slowed down drastically to 0.28 per cent between 2004/05 and 2009 from 2.9 per cent during 1999-2005, a Ministry of Labour report shows. The 2012 report also set an employment growth target of two per cent assuming the economy would expand at nine per cent. But that target seems tough to achieve given that the economy is crawling at five per cent.

Economists say India is a services-led economy and the country will have to boost its manufacturing sector to tackle its unemployment prob-



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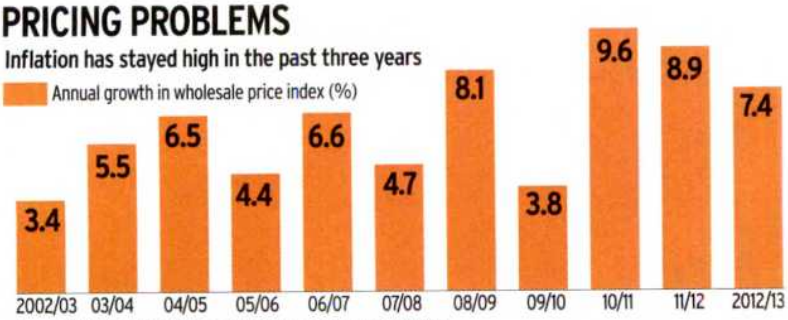
lem. Gandhi has spoken about making India a manufacturing hub. "I want to make this place at least as much a manufacturing power as China," he said in a TV interview. Critics, however, raise doubts on the implementation of such an agenda, especially at a time when infrastructure constraints, procedural bottlenecks and slowing growth have prompted companies across a range of industries to defer investments.

Modi has promised to create one crore jobs if voted to power. That may seem a little ambitious since the employment record of his own state is nothing to write home about. From 2000 to 2010, annual job growth in Gujarat was three per cent. According to the socio-economic survey of Gujarat, 8.79 lakh jobseekers are listed on employment exchanges in the state. Critics say the number would be closer to 16 lakh.

PRICING PROBLEMS

Inflation has stayed high in the past three years



Source: Ministry of Statistics and Programme Implementation

Taxes, Investments

On January 30, Finance Minister Chidambaram questioned the BJP's resistance to implementing a uniform Goods and Services Tax. The GST would subsume within it several state and central taxes and has been in the works for nearly a decade. It is expected to increase compliance, tax revenues and streamline processes. But BJP-ruled states Madhya Pradesh and Gujarat have opposed the new system on fears of revenue losses and a perceived shift of fiscal power from states to the Centre. Taxation was one of the key issues brought up by industry bodies in their recent meetings with the Congress and BJP. Siddharth Birla, who led the FICCI delegation at the interaction with the Congress in January, said it emphasised the introduction of the GST at the earliest to boost manufacturing and exports at the meeting.

Gandhi's close aide and Rural Development Minister Jairam Ramesh has accused Modi of derailing the proposed regime. The BJP has rubbished such allegations. The party recently also proposed a radical idea of abolishing all direct and indirect taxes for individuals and companies and instead imposing a nominal banking transaction tax. The idea invited sharp criticism and seems to have been dropped.

While GST negotiations continue, the more pressing matter is a slowdown in investments. In January 2013, the government set up a Cabinet Committee on Investments amid growing frustration in industry over projects stalled due to lack of government clearances, particularly from the environment ministry. Over the past year, the committee has cleared about 300 projects entailing total investment of ₹6,60,000 crore. But, little has moved on the ground and companies are still sitting on the fence. Gandhi, at the FICCI meeting in December, said the regulatory system must be "rapidly and radically" modernised. "There are no excuses for the length of time required to clear some of these projects... Accountability has to be clear, fixed and time-bound," he said. The same day, Jayanthi Natarajan resigned as environment minister. While Gandhi has courted industrialists in recent months, he has also occasionally championed the cause of the poor. In 2010, he visited the Niyamgiri region in Orissa where local tribes have opposed Vedanta Resources's bauxite mining project. During the same period, however, he did not engage with protests against Posco's steel plant in Orissa.

Modi has actively promoted industries. When Tata Motors scrapped its plan to produce its Nano minicar at Singur in West Bengal due to farmers' protest, Modi offered land and other incentives to the company. In fact, many companies have praised Gujarat for facilitating investments. But, even in Gujarat, land acquisition remains a thorny issue. More than 30 villages recently came together to oppose land acquisition for industries. Modi's critics say removing procedural hurdles for industries is not enough and he must spell out a holistic policy that ensures development for all sections of the society.

So, who has a better grasp on economic matters – Modi or Gandhi? And who is better suited to lead India at a time the economy is growing at its slowest pace in a decade?

Gandhi has mostly talked about subsidies and social welfare while Modi has projected himself as the leader for development. But, so far the debate has been full of inanities. "The world is viewing India with skepticism. Growth is down and inflation is up — they are wondering whether these are structural features or are they temporary," says Lord Meghnad Desai, economist and member of the UK's House of Lords. "Indian politicians don't want to talk about costs. They only want to talk about benefits. None of the leaders have spoken about how they will tackle inflation. Will they show fiscal responsibility?" That's a question neither Gandhi nor Modi have answered yet. ◆

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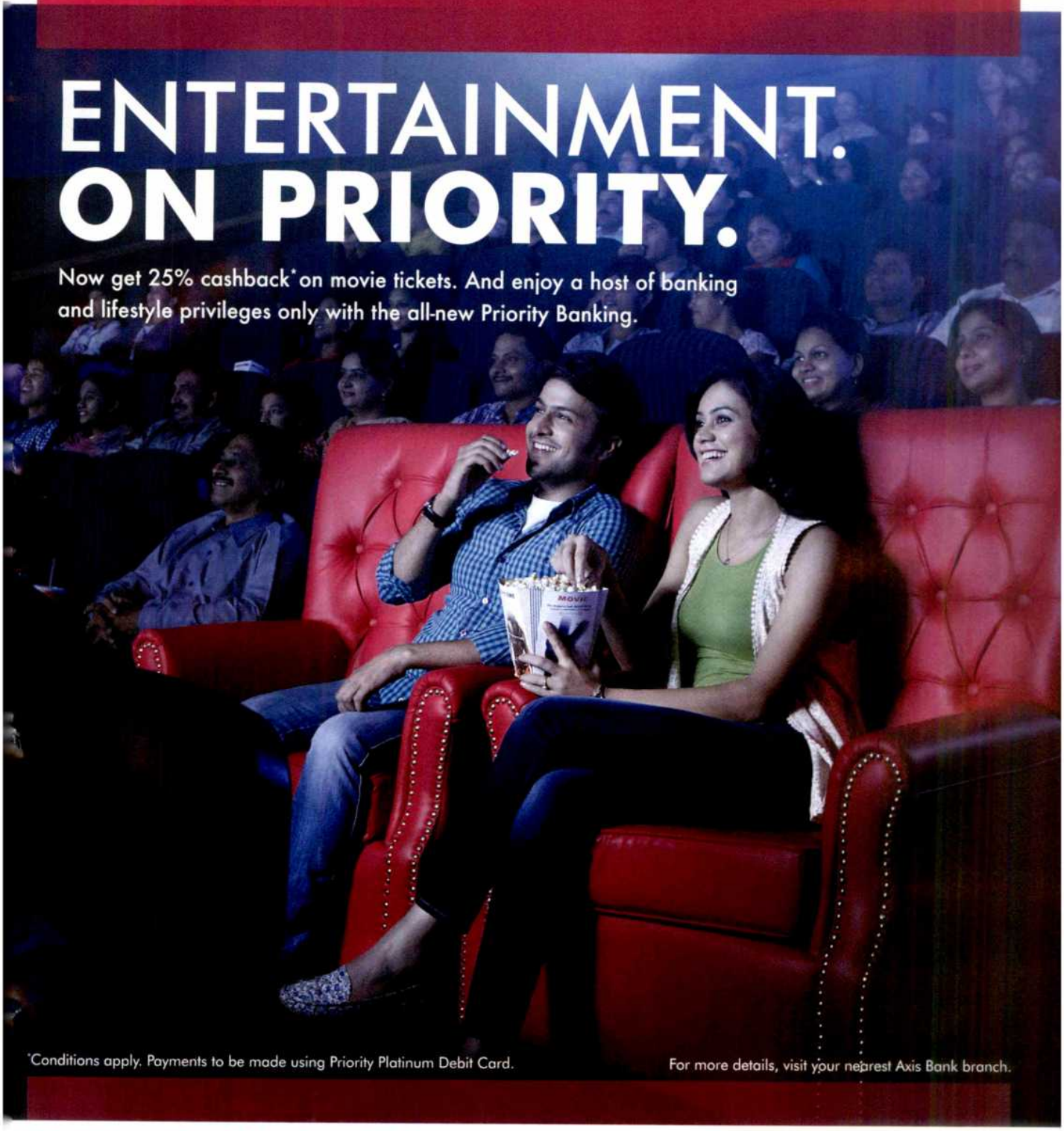

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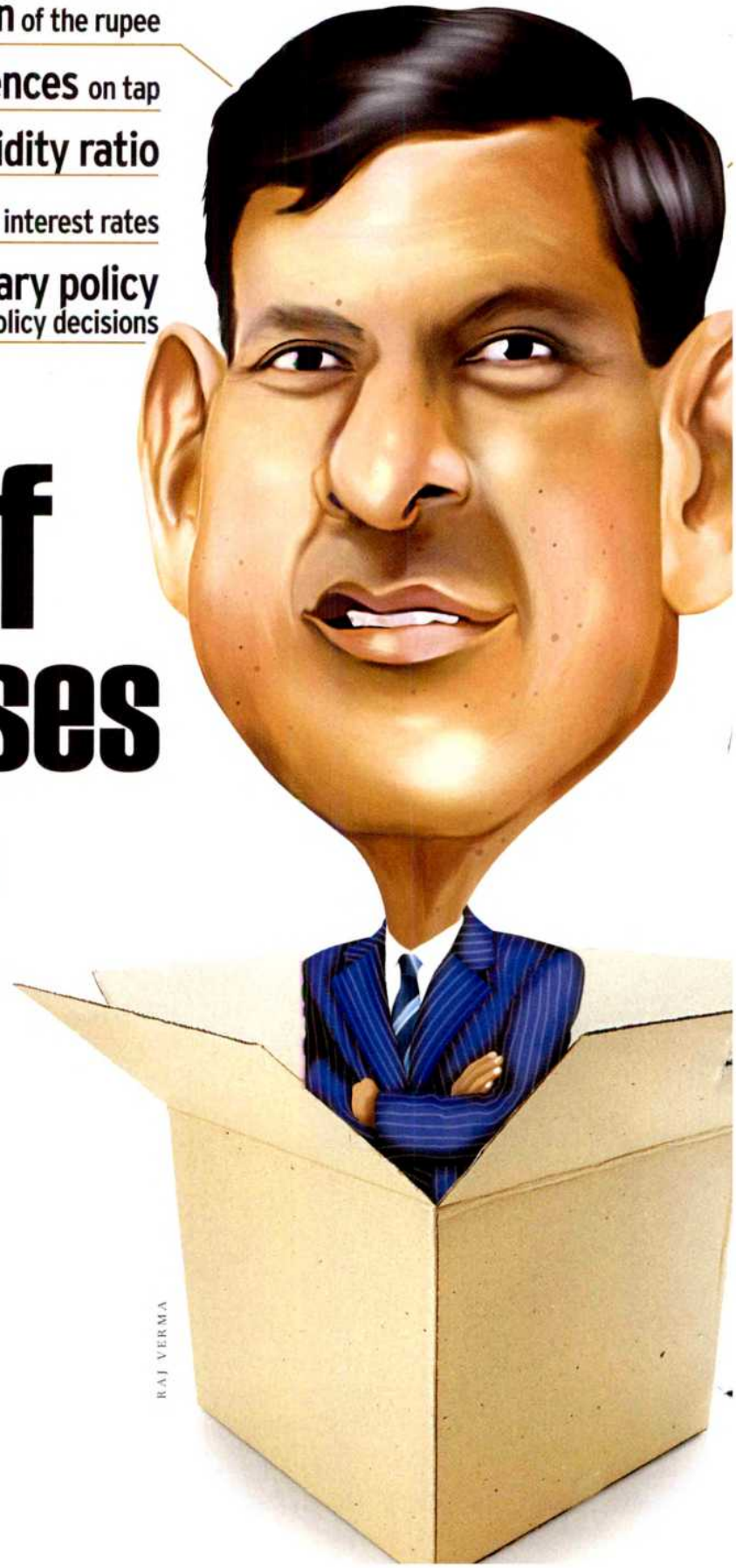
Box of Surprises

Raghuram Rajan has been mooting several radical ideas. How practical are they?

By ANAND ADHIKARI

If we are to achieve results never accomplished before, we must expect to employ methods never before attempted," said the 16th century author and statesman Sir Francis Bacon. Raghuram Rajan, the 23rd Governor of the Reserve Bank of India (RBI), may well have been inspired by Bacon. RBI under Rajan is talking of a radically new approach to achieving financial inclusion and creating a financial infrastructure for the new millennium.

In his five months at the RBI's Mumbai



RAJ VERMA

WHAT RAJAN PLANS TO DO

Suggestions which are yet to be implemented

'Payment banks' to foster financial inclusion

SMS-based mobile model for fund transfers

Providing cash out facility on **pre-paid instruments**

Setting up a bill factoring **exchange for SMEs**

Setting up **a national GIRO-based system** for households to pay school fees, bills, etc.

headquarters, the central bank has come up with ideas that were never considered before. Consider, for example, the move to have bank accounts for all citizens by 2016. Or the initiative to raise over $5 billion in September, without having a sovereign bond issue, to combat the rupee depreciation. This was achieved through a swap facility to attract NRI funds. The masterstroke was Rajan's decision to go after black money and fake currency by simply withdrawing currency issued before 2005.

Many of the existing banking practices and regulations were given shape several decades ago. The RBI Act itself was drafted in the pre-Independence era. Winds of change have been blowing globally for some time and the RBI needs to respond to them. The emergence of electronic payments is transforming a poverty-stricken continent like Africa. "The technological revolution bodes well for India. It can leverage payment technologies to bring about financial inclusion," says Raj Jain, Chairman and Managing Director at RS Software (India) Ltd, a technology company (see *What Rajan Plans To Do*).

Financial Inclusion

Today, 60 per cent of India's population does not have a bank account. In addition, about 90 per cent of small businesses have no links with formal lending institutions. Efforts to achieve financial inclusion have failed to deliver adequate results. Rajan sounded out his Indian Institute of Management (IIM) Ahmedabad classmate Nachiket Mor, now a member of the RBI's central board within days of taking over, for ways to cover small businesses and low income households. By January, the Mor committee had come up with the concept of "payment banks" with initial capital of ₹50 crore, one-tenth of what a full-service bank requires. These banks could be set up by existing banks as subsidiaries or by consumer goods' dealers and mobile phone companies, non-banking finance companies (NBFCs) and the post office system. Payment banks will only accept deposits and not do any lending.

NACHIKET MOR
Central Board Member, RBI

"... Not everybody needs credit and not everyone who asks for credit should get it"

RACHIT GOSWAMI

But some question the need to create another structure in addition to the existing banking network. "The infrastructure of mobile phone outlets and *kirana* stores already exists," says Mor. This obviates the need to set up more new branches and payment banks can begin offering basic banking services on getting a licence, he adds. Mor has also recommended allowing NBFCs to set up wholesale banks which will accept wholesale deposits (not retail) and engage in lending activity too. Mor reasons that the best incentive for financial inclusion is to create competitive pressure in the system.

The second important recommendation of the Mor committee is to have bank accounts for all by 2016 by linking them to the Aadhaar numbers of citizens. But not many are convinced. They say the larger issue

is of simultaneously strengthening the banking infrastructure and raising standards of living. "Financial inclusion definitely cannot mean just the opening of a bank account. It also cannot be done only by the banks. You have to have financial viability, telecommunications, power, water, roads and then banks can follow," said Aditya Puri, Managing Director of HDFC Bank at a recent Indian Bank Association function.

Two of the Mor committee members – Shikha Sharma, Managing Director and CEO, Axis Bank, and S.S. Mundra, Chairman, Bank of Baroda – have stressed the need for providing the complete bouquet of financial services which won't be achieved through payment banks. "But not everybody needs credit and not everyone who asks for credit should get it. Credit has to be given much more carefully," says Mor.

ADITYA PURI
MD, HDFC Bank

"Financial inclusion definitely cannot mean just the opening of a bank account"

NISHIKANT GAMRE

Rajan is yet to take a call on the Mor committee report.

Monetary Policy Reforms

On his very first day, Rajan also talked about a new approach to formulating monetary policy. Rajan picked Deputy Governor Urjit Patel to take a look at what more needed to be done to strengthen the monetary policy framework. The Patel committee's report talks of inflation targeting as the sole objective of the monetary policy and has insisted on using the consumer price index (CPI) instead of the wholesale price index (WPI) for determining interest rates. The CPI itself is a very new series with no long history. The share of food component is very high in the CPI, almost half, which limits the impact of the monetary policy on the index, say analysts.

"There is nothing wrong, theoretically or conceptually, in using CPI as a nominal anchor, but I don't think it will work as monetary policy cannot influence any significant component of the CPI," says Madan Sabnavis, Chief Economist at Care Ltd. In the third quarter review of the monetary policy in January, Rajan has made a reference to CPI, which shows he obviously sees merit in using it as an inflation anchor. Patel committee has also suggested forming a five-member monetary policy committee (MPC) to decide policy action.

These two radical ideas are in direct conflict with the recommenda-

WHAT RAJAN HAS DONE

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Swap window set up to attract FCNR (B) dollar funds

Branch licensing for commercial banks freed of controls

Banks directed to ensure early **detection and provisioning of stressed assets**

Government persuaded to reorient **debt recovery tribunals** and set up special benches in high courts to resolve cases relating to NPAs

Central repository set up for **large bank loans** to corporate houses

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tions of the government-appointed Srikrishna panel on Financial Sector Legislative Reforms. Srikrishna report, submitted a year ago, has clearly spelt out the government's role in giving quantitative monitorable objectives to RBI for monetary policy formulation. The mandate of the RBI spelt out in the Act is to support growth, financial stability (of the banking system) and price (inflation) stability. "The objective that the RBI must pursue would be defined by a central government and could potentially change over the years," added the Srikrishna report.

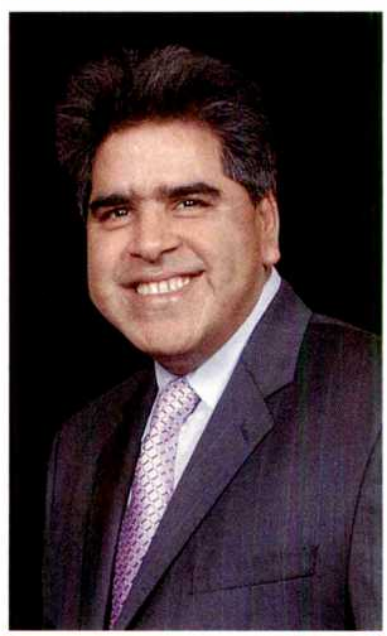
The composition of the MPC suggested by the Patel committee – with RBI Governor as Chairman, a deputy governor, executive director and two external members – is also in contrast to the Srikrishna committee recommendations. Srikrishna has suggested a seven-member MPC, which includes the RBI Governor, one executive director from the RBI and five external members. Out of the five external members, two will be appointed by the Governor and three will be by the government. Clearly, the government wants to have a say in the monetary policy decision-making whereas Rajan appointed committee is tilted in favour of the RBI's independence.

Internationalisation of the Rupee

Many were surprised when on the very first day of assuming office in September last year, Rajan talked about internationalisation of rupee. "This might be a strange time to talk about it, but we have to think beyond the next few months," said Rajan. It actually means acceptability of the Indian rupee for settlement of cross border transactions globally like the dollar. Rajan spoke about internationalisation when he was actually expected to do some fire fighting to save the rupee from depreciating against the US dollar. The rupee breached the 68 mark last August against the dollar. "That may be his long term plan," says Rohit Wahi, CEO and Country Head, FirstRand Bank India. Internationalisation is a sensitive issue as it first involves capital account convertibility. This might make the rupee volatile and it might eventually depreciate because of a large current account deficit. A report authored by two RBI executives in

RAJ JAIN
CMD, RS Software (India) Ltd

"India can leverage payment technologies to bring about financial inclusion"



May 2010 said: "It depends on market forces, i.e., how much faith the market has in that currency, which in turn depends on various factors, such as size of the economy, level of financial development, stability, etc."

Distressed Assets

Rajan is quick to spot the growing non performing asset (NPA) menace in the banking sector. While his measures for early detection of bad debt are laudable, the second leg of NPA resolution, which depends on the courts, requires an overhaul of the legal system. The RBI plans to take up with the government concrete suggestions on reining in NPAs. These include creation of additional debt recovery tribunals, creating special cadre of officers and a separate bench for speedy disposal of NPA-related cases. Recommendations may also be made to the government to expedite setting up of special benches in every high court for corporate cases. "But these things will take years," says an official of an asset reconstruction company.

The governor wants to reduce the SLR (statutory liquidity ratio), which requires banks to invest 23 per cent of the deposits in government securities. "This (reduction) cannot be done overnight, of course. As government finances improve, the scope of such reduction will increase," said Rajan in his very first media interaction. The banks today hold 28 per cent SLR, more than the stipulated amount, because of shrinking lending opportunities in an economic slowdown. "Commercially speaking, banks are finding it more comfortable to hold risk free G-Sec," says Sabnavis.

Separately, Rajan's idea of allowing fund transfers by way of an SMS system also looks ambitious. "It actually requires installation of encrypted software in every handset," says Uttam Nayak, Country Head at Visa India. And that's a challenging task to have such an encryption with handset manufactures spread over different geographies.

Clearly, Rajan is not looking at band-aid solutions to fix the larger structural issues and has set an ambitious agenda for the central bank. Can he pull if off? For the moment, Rajan exudes confidence that he can ring in far reaching reforms. ◆

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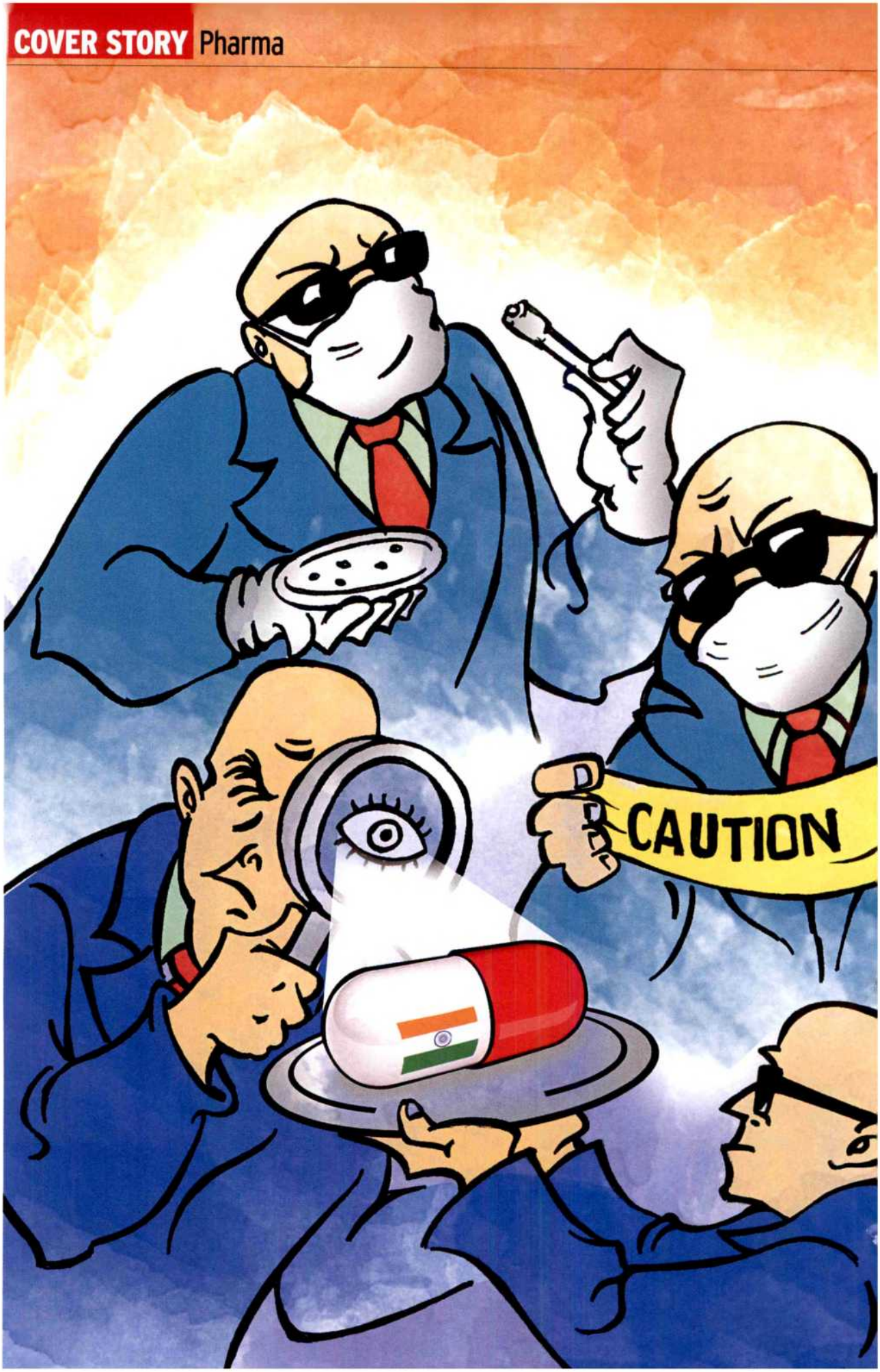

CAUTION

INTENSIVE SCARE

The US regulator's increased scrutiny of Indian drug exporters is giving the pharmaceutical industry the jitters. By E. KUMAR SHARMA

On a cold Sunday afternoon in January, Peter E. Baker is in Toansa village, Punjab. He is at the gates of the showcase plant of Ranbaxy, India's leading pharmaceutical company, some 160 km from Chandigarh airport. This plant makes the active ingredients that go into tablets. The security guard seems unaware not only about who Baker is, but also about the organisation he represents – the US Food and Drug Administration (FDA). He contacts the plant supervisor.

Drug industry executives know Baker only too well. A senior executive at a Mumbai-based pharma major says of Baker, a veteran investigator with the FDA: "Not only does he catch you when you least expect him to, but his style of functioning is unique. He will look at the most unexpected places in the plant... If he finds anything wrong, he will doubt everything, and you've had it."

Stories doing the rounds in pharma circles tell of dustbins being checked at one company, and urinals in another. The executive adds: "We look into every minute detail now, but still just hope and pray that nothing ever goes wrong." He spoke to *Business Today* strictly on the condition that neither he nor his company would be named.

As for Baker, data from FDAzilla, a website that provides intelligence on the US drug regulator's inspections, suggests that his share in inspections is growing in India. In 2012, he was involved in only six of the 251 FDA inspections in India, but 21 of the 169 inspections in 2013. And there is good reason to worry when he comes knocking. He has been a factor in many warning letters that Indian drug makers – notably Ranbaxy and Wockhardt – have got from the FDA.

A pharma company CEO, who does not want to be named, says: "After I learnt that the Mohali facility of Ranbaxy did not have water heaters in the bathrooms, I checked all our bathrooms in the plant, and to my surprise, we did not have them either. The thought that it could become a point for closure... I immediately had them installed."

Another pharma company head personally took his team of experts to check urinals and drains in the plant after reading the FDA's observations on Wockhardt's factory.

Source of Risk

Experts expect vigilance to increase. Shamnad Basheer, a former professor of intellectual property law at the West Bengal National University of Juridical Sciences, says: "India has definitely moved up in the priority list of inspections." He says companies that are unable to cope with this may have to shut shop. He adds: "Big companies will spend more money and resources in ensuring compliance, and will pass on the higher costs to consumers. However, their competitive edge in the market will reduce."

PIB

MARGARET A. HAMBURG / FDA Commissioner

"We have received approvals from the Indian government to add seven drug investigators. This will increase our presence to 19 American staff based in-country"

In September last year, Neha Manpuria, Pinakin Parekh and Sean Wu, analysts at JP Morgan Asia Pacific Equity Research, noted in a report on the Indian pharmaceutical industry: "Regulatory headwinds remain one of the key risks to the Indian pharmaceutical sector, especially in light of the increasing scrutiny by the FDA to ensure quality and compliance. While the volume of warning letters issued by FDA has increased 10x over the last four years, there has been a higher impact on Indian companies recently from the increasing activities of the US regulator (import alerts, warning letters, Form 483s)." Form 483 is an FDA document that notifies a company of objectionable conditions. The company needs to respond in writing stating its corrective action plan, and then, of course, implement the plan.

The authors of the JP Morgan report note that the implications are huge. "In our view, the risk associated with the changing regulations and increasing inspection by the FDA would be a key variable to track, given the exposure of the most Indian pharma companies to the US markets (revenue contribution of 25-55 per cent for large domestic companies). A warning letter or import alert on any facility not only impacts the revenue stream from the unit, but also affects the drug maker's ability to make timely ANDA filing from the facility." The ANDA, or Abbreviated New Drug Application, is filed for generic drug approval for an existing licensed or approved drug in the US. The report further notes that "higher FDA scrutiny is likely to result in enhanced focus and investment on compliance (and regulatory costs too)."

The report's authors say they do not see a risk to long-term valuations of the sector, as the US would remain

a key market for the Indian generic drug makers. India supplies around 40 per cent of the generic drugs and over-the-counter products sold in the US.

Why the US Matters

Estimates vary, but the point is that the US is important for Indian drug companies. Going by Pharmexcil (Pharmaceutical Export Promotion Council of India, a government body) data, the 40 per cent figure is by volume since, India's share in the $63-billion US generics market in 2012 was 3.07 per cent by value. Even so, the FDA notes that India is the second largest provider of finished dose products to the US, with almost 10 per cent of that market. India has the second largest number of FDA-approved plants for ingredients and formulations – 370 plants, to be precise – outside of the US.

So it's not surprising, really, that Indian drug companies are under increasing scrutiny by the US regulator. FDA Commissioner Margaret A. Hamburg told *Business Today* in an email interview (businesstoday.in/usfda-hamburg) during her recent visit to India: "We will increase our presence in India. In March 2013, we received approvals from the Indian government to add seven drug investigators. This will increase our presence to 19 American staff based in-country, including 10 dedicated specifically to drugs."

Besides becoming more frequent, inspections are also more often unannounced. The days when companies got three months' advance notice are history. Adding to Indian drug makers' anxiety is the nature and scope of the inspections.

Being watched: Ranbaxy's plant in Paonta Sahib, Himachal Pradesh, is under observation by the FDA

"It is no more just a quality audit of a facility," says a promoter of a mid-sized company. "I remember distinctly from our earlier inspections that we never had to drive down our product development people for the inspection.... They started gradually getting into how the product was developed, which is more of an R&D forte and not something

Close Scrutiny

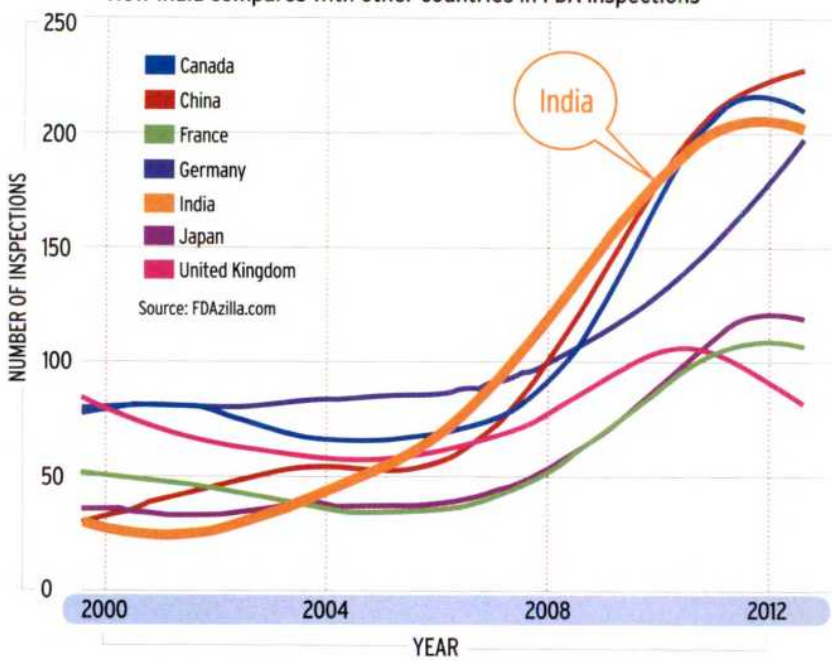
The list of FDA warnings to Indian pharma companies is long – and growing

Company	Warning Date	Facility warned/Reason
Ranbaxy	Sep 2008	Dewas and Paonta Sahib
Lupin	May 2009	Mandideep
Sutures India	Sept 2010	Bangalore
Claris Life Sciences	Nov 2010	Ahmedabad
Aurobindo Pharma	May 2011	Hyderabad antibiotics unit
Cadila Healthcare	June 2011	Moriya
Yag-Mag Labs	Sept 2011	Hyderabad
Wintac Ltd	Feb 2012	Bangalore
Pan Drugs	Feb 2012	Vadodara unit – mandatory registration formalities not fulfilled
Sai Pharma	April 2012	Mandatory registration formalities not fulfilled
Hospira Healthcare India	May 2013	Sriperumbudur
RPG Life Sciences	June 2013	Ankleshwar and Mumbai
Wockhardt	July 2013	Waluj
Fresenius Kabi Oncology	July 2013	Kalyani – manufacturing norms violation
Posh Chemicals	Aug 2013	Hyderabad
Promed Exports	Aug 2013	Himachal Pradesh unit
Ranbaxy	Sept 2013	Mohali
Strides Arcolab	Sept 2013	Facility No. 2 of acquired company Agila Specialities, Bangalore

Source: FDA and JP Morgan

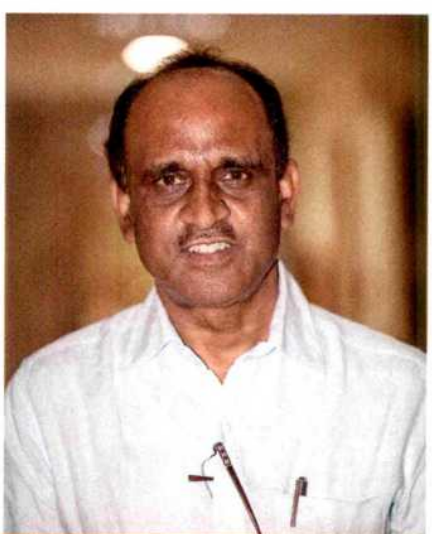
MOST WATCHED NATIONS

How India compares with other countries in FDA inspections



the manufacturing plant people would be well versed with." He says this trend may be because events at Ranbaxy led inspectors to think that perhaps development itself was flawed, and to doubt whether what was written in the product development report was actually done.

Additionally, he says, there are new guidelines on testing for extractables and leachables (minute amounts of chemicals originating from containers, medical devices or process equipment, which could end up as contaminants in the medical product). He also says they are now getting into concepts such as Quality by Design (QbD), which involves identifying characteristics that are important from the patient's perspective, identifying the material attributes and manufacturing parameters to achieve those characteristics, and then designing manufacturing controls and developing methods to make improvements. Unlike 'quality by accident' – taking corrective action after a failure occurs – QbD helps manufacturers focus on developing process understanding and action to avoid failures.



A. PRABHAKAR RAO

G.N. SINGH / Drug Controller General of India

"It is high time India caught up with global technological developments and practices"

The FDA explains this and more at length. In her statement before a US Congress subcommittee on energy policy, healthcare and entitlements, Janet Woodcock, Director of the FDA's Center for Drug Evaluation Research, notes that the drug regulator's inspection and compliance focus has changed in recent years. She notes: "We have enhanced our inspectorate capability and increased familiarity with the quality systems model. Some of these inspections have found operations with antiquated or obsolete facility or process elements, and operations with high defect rates.... These operations are receiving higher focus, while manufacturing operations that have been upgraded and are more dependable have been de-emphasised."

Woodcock does not specifically refer to India when she says: "Use of foreign-sourced materials creates vulnerabilities in the US drug supply.... For example, most of the US heparin supply comes from non-US sources. When contaminated heparin, sourced from China, was found in the United States, FDA had to urgently devise several tests to detect the contaminant and screen out contaminated product, because heparin is a critical drug for US patients, and there was no adequate alternative source." Heparin is an anticoagulant.

Shailesh Ayyangar, Managing Director of drug maker Sanofi India, Vice President – South Asia, Sanofi, and President of the Organisation of Pharmaceutical Producers of India (OPPI), a group of largely multinational drug companies, says: "Let's face it. We are not in a sellers' market. We are in a buyers' market, and the buyer – let's say, for argument's

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sake, the US – has the right to decide what quality standards it wants from the second largest exporter of generics to the US. It is therefore in our interest to ask the right questions, get the consultants to help us with systems and processes." He notes that many companies are getting nervous today because a lot of questions are being asked, and adds that regulators face flak in their own countries if they approve products that turn out sub-standard.

Working with the FDA

While standards tend to evolve continuously, the rapid pace of change is causing the industry some worry. In a recent newspaper interview, industry veteran and Cipla Ltd Chairman Y.K. Hamied said about the US: "If you change the goalposts every few months without informing me, how will I know?" He says he is happy that FDA's Hamburg indicated to *Business Today* in her first interview in India that her staff would work with Indian companies to help them self-correct. "I am happy if she wants to take industry into confidence," says Hamied.

Warning Tally

Warning letters issued to India-based facilities

Source: FDA and JP Morgan estimates

While Ranbaxy and Wockhardt are facing challenges in getting issues resolved, others seem to be achieving greater success in addressing US concerns. For instance, Indoco Remedies said in a statement to the Bombay Stock Exchange on January 17: "The Goa Plant II (Sterile) was first inspected in October 2005, re-inspected in February 2011 and the last inspection was conducted in August 2013 by FDA. On the last day of inspection, the 483 was issued.... In our response on September 16 to the 483, we have given a list of the corrective actions taken.... With the last compliance report sent on November 25, 2013, all the issues stand resolved, and the Company is awaiting establishment inspection report, which normally takes five to six months." Indoco's Managing Director, Aditi Kare Panandikar, says: "Challenges for some could be increasing also because the regulatory expectations are also going up."

All of this, as one might expect, adds to development costs. "A back-of-the-envelope calculation shows that our cost of compliance has nearly doubled in the last five years," says a senior executive who tracks compliance in a pharmaceutical company. Others see a smaller hit. "The cGMP cost of compliance and maintenance is typically 35 per cent higher than the usual manufacturing and maintenance cost," says Venkat Jasti, Chairman and CEO of Suven Life Sciences. cGMP stands for 'current good manufacturing practice', and refers to regulations enforced by the FDA to ensure proper design, monitoring, and control of manufacturing processes and facilities. The executive says many major companies are already compliant with cGMP requirements, and smaller ones will have to do likewise now.

A Dose of Self-improvement

Bob Rhoades, Vice President at Quintiles, a consultancy that helps companies with third-party audits, staffing, and effective IT in quality systems, told *Business Today* in an email response: "Increasing enforcement activities by the FDA are clearly having an impact in India and beyond.... Regulatory compliance is definitely more of an issue today than three years ago – and will continue to be so.... To protect market share and reputation, timely achievement of baseline compliance is vital.... In this environment of heightened regulatory scrutiny, we believe traditional compliance alone – where quality assurance and compliance are back-room cost centres – is insufficient."

Over the past few years, most leading Indian companies, such as

At **370,** India has the second largest number of FDA-approved plants outside the US

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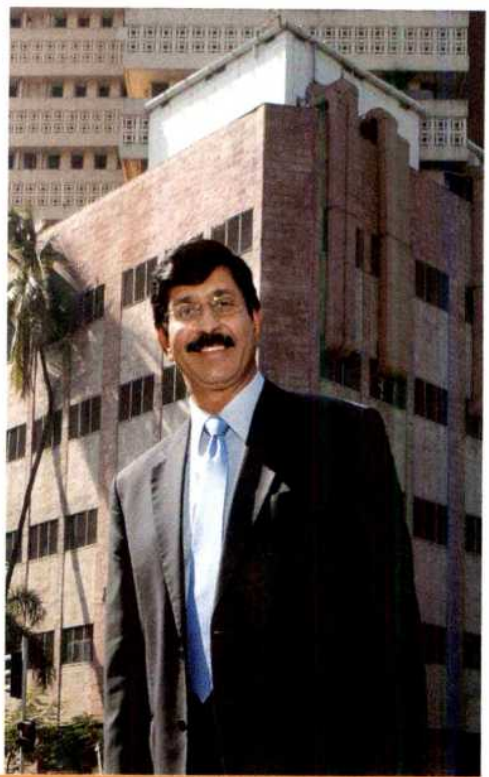
Glenmark and Dr Reddy's Laboratories, have been increasing their engagement with external auditors, some of whom are either former FDA officials or drawn from the pharmaceutical industry. At present, besides Quintiles, Lachman Consultants is among the most sought after.

Leading drug makers have also been focusing on strengthening internal audits by reviewing and expanding the checklist of items covered. For example, Panandikar of Indoco, which recently underwent a FDA inspection, says her company has focused on strengthening its regulatory affairs team (currently 35 people) over the past year. The team tracks regulatory developments worldwide and regularly updates the management. Indoco has built a regulatory affairs network that keeps people at the corporate level in constant dialogue with people at all its plant locations.



KEWAL HANDA / Promoter Director, Salus Lifecare

"One good way to improve quality would be to have some of the consulting firms conduct mock FDA-like audits, use the findings to improve quality systems, and share the action taken with the FDA"

Rhoades of Quintiles says his company is often called in after a drug maker receives a warning letter. However, he adds, "in other cases, companies bring us in proactively to help identify continuous improvement opportunities within their quality systems."

Ayyangar of Sanofi says multinational drug companies with FDA-approved plants in India have raised awareness by investing in training programmes. "We are getting international experts in regulatory processes and quality assurance to visit our plants in India, and we have also been sending people from here to international facilities so they can learn about systems approved by the FDA," he says. Sanofi India has two solid dosage form plants (which make tablets) in Gujarat and Goa, and a FDA-approved one in Gujarat that makes active pharmaceutical ingredients, and a vaccine plant in Hyderabad. He says: "They all comply with international standards, and we have various regulatory approvals. We constantly endeavour to upgrade the systems."

Kewal Handa, former managing director of Pfizer India, who now runs healthcare advisory firm Salus Lifecare, says: "Instead of reacting in a panic, companies should proactively take to improving their quality culture, and one good way would be to have some of these consulting firms conduct mock FDA-like audits and use the findings to improve quality systems."

Mock audits are not cheap – a two-month audit could cost as much as ₹50 lakh, perhaps more. They could add to a company's cost of compliance by a couple of crore rupees a year, but Handa says it's worth it. He adds that companies should share the action taken in such audits at the next FDA inspection.

Rhoades says that while quality problems or enforcement actions may drive a company to begin its journey up the "compliance maturity curve",

Industry sources say compliance with global standards typically means **35%** higher manufacturing and maintenance costs

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the best time to take action is before such problems surface. "Timely and proactive efforts to drive sustainable compliance minimise the risk of quality problems," he adds. He notes that in more than 35 years of experience in advising on quality and compliance issues, he has found that India is by no means alone in facing compliance challenges.

Concerns Beyond the FDA

The FDA is not the only concern of Indian drug makers. So is the investigation by the US International Trade Commission (USITC) into allegations of India's unfair trade practices. The USITC is scheduled to submit a report to the US government in late 2014. There is no immediate threat, says D.G. Shah, Secretary General of the Indian Pharmaceutical Alliance (IPA), an association of domestic drug companies. But if the report takes a dim view of India, "it could be used to impose trade sanctions". Besides pharmaceuticals, the IT sector could also be affected by it.

Running parallel are arguments by some in US industry favouring action against India under a provision that enables the US Trade Representative identify trade barriers to the US and act to counter them. Shah says there is pressure to get India downgraded from "watch list" to "priority foreign country". He adds: "If a country is put in this category, like Ukraine at the moment, imports from it into the US will attract duties."

He recently returned from Washington, DC, where the IPA presented the Indian case before the USITC. Last year, Shah presented a testimony before a US Congress committee in response to allegations by Pfizer Inc in March 2013 that India repeatedly defied trade rules and discriminated in favour of domestic generic drug manufacturers, among other things.

Shah says India is compliant with TRIPS (the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights), and US industry is unfairly comparing India's intellectual property rights regime with its own.

Lost Value

Some examples of the effect of FDA warnings on the share prices of listed drug companies

Company	Warning Date	% Decline in stock after warning		
		Months		
		One	Three	Six
Ranbaxy	Sep 2008	-33	-47	-63
Aurobindo Pharma	May 2011	-10	-29	-58
Cadila Healthcare	Jun 2011	-3	-9	-22
RPG Life Sciences	Jun 2013	-3	-11	20
Wockhardt	Jul 2013	-52	-51	-55
Fresenius Kabi Oncology	Jul 2013	-16	-12	-8
Ranbaxy	Sep 2013	-15	-9	-24*
Strides Arcolab	Sep 2013	-6	-1	-60*

*Stock performance as of Feb 18, 2014, as six months are not over yet

Source: FDA, BT Research

Indian Regulator Also Concerned

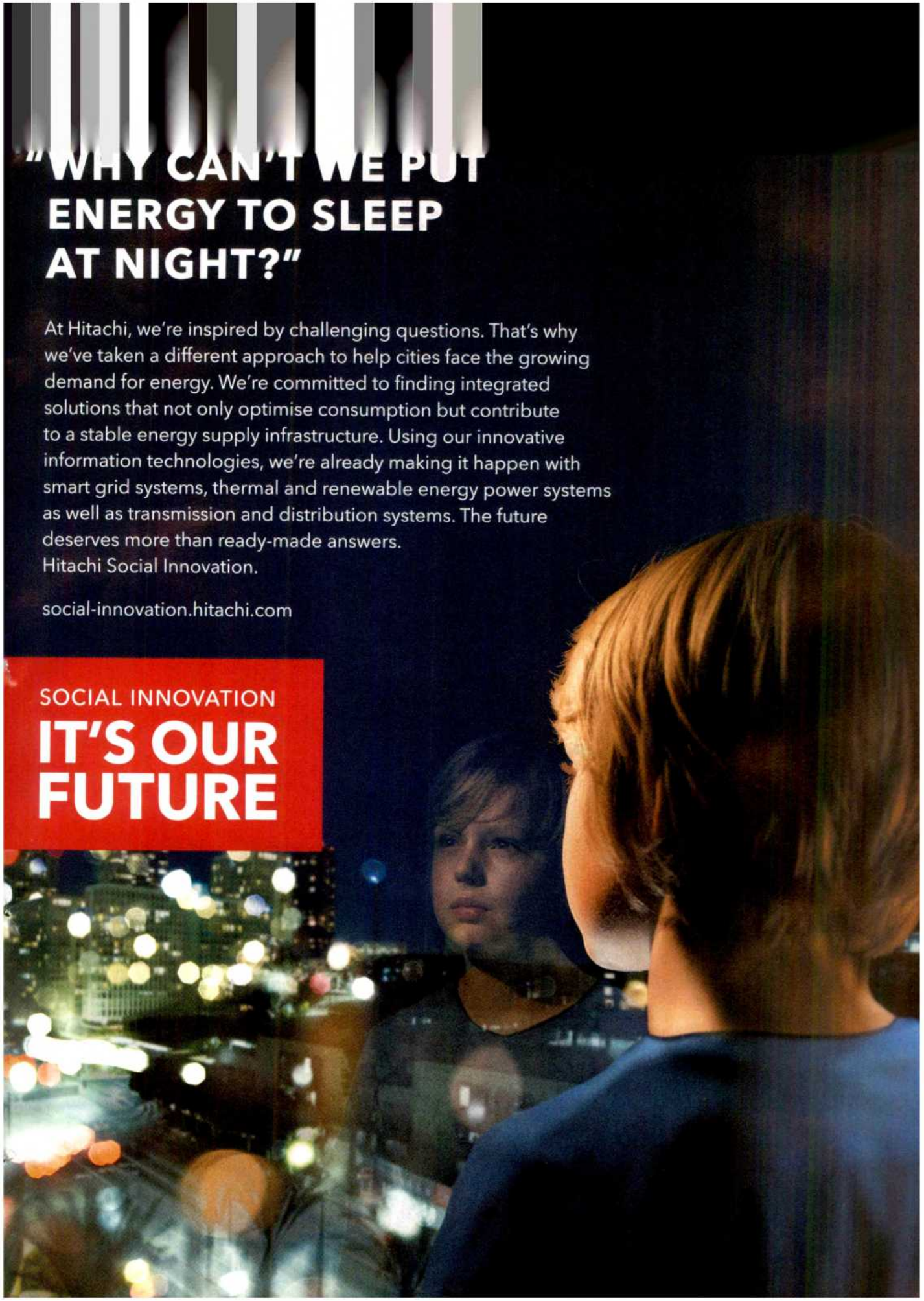
The Indian regulator, the Drug Controller General of India (DGCI), also wants to review provisions on quality. Its head, G.N. Singh, says it is looking to step up on good manufacturing practices. He says 'Schedule M' of the Indian Drugs and Cosmetics Act, for instance, needs to be revisited. He is referring to the part of the law that specifies the requirements for factory premises and materials, equipment, and minimum recommended areas for basic installation for some types of drugs.

He says that during the last drug consultative committee meeting, held late last year and attended by the different drug regulators in the country, he emphasised that it was high time India caught up with global technological developments and practices, and had science-based practices and dynamic processes. He says: "As part of this, there is a plan to review and strengthen Schedule M and harmonise it on the lines of the World Health Organization's 'Good Manufacturing Practices'."

In the meantime, Indian drug makers will be taking note of Peter Baker's observations at the Toansa plant, and checking for flies in the sample preparation room and broken storage cabinets. ◆

@EKumarSharma

US markets account for **25% to 55%** of the revenues of large domestic companies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Prodigies

IMAGING BY RAVI REDDY

Many will have watched this recent ad introducing the Mia jewellery brand for working women from Tanishq. It opens with a young woman in a hurry to get to a business presentation. A senior colleague suggests she remove a bright piece of jewellery she is wearing, as it might distract from what she would be saying in the pitch she will be making. The next sequence shows the young woman confidently winning the pitch – with her piece of jewellery still on.

The ad asserts the dominant mood among young achievers today – they want to win, but they intend to do so in their own way. It is the underlying mood of most of those featured in the pages that follow – *Business Today*'s eighth annual listing of India's hottest executives under 40. Incidentally, two of these executives – Arun Iyer and Gaurav Bhuwan – were responsible for the Mia ad.

It was not easy zeroing in on these 25 people. There are young Indian achievers galore, given our country's demographic dividend, but selection was difficult. We sat

OUR PANELLISTS

LAKSHMI NARASIMHAN
Associate Director, RGF Executive Search
"... The young turks can quickly adapt to a multicultural ecosystem"

PURVI SHETH
CEO, Shilputsi Consultants
"Today's young achievers have worked in diverse areas... They have taken more risks"

Progress

Business Today's eighth annual listing of the 25 best and brightest corporate performers under 40. By SHAMNI PANDE

down with a list of over 100 likely names with our panellists – **Sonal Agrawal**, Managing Partner, Accord Group; **Deepak Gupta**, Chairman – India, DHR International; **K. Sudarshan**, Regional Managing Partner – Asia, EMA Partners International; **Lakshmi Narasimhan**, Associate Director, RGF Executive Search; and **Purvi Sheth**, CEO, Shilputsi Consultants. Discussions were animated as we gradually pruned the list down to the number we wanted.

Why was selection tough? First, there are our hygiene checks. Those chosen have to be professionals, working for some company, not entrepreneurs. They have to be completely free of the taint of nepotism – without any blood link to the founders of the company they work for. Further they have to be men and women with proven track records, those who had spent at least a year in the positions they were holding. Nor do we feature otherwise bright sparks whose companies are floundering. Finally, we usually do not repeat names which have figured in the same list in previous years.

Second, the economic slowdown has made it difficult for executives to shine. "It has been marginally harder to identify the hottest young executives who have really stood out in the past year, more so, given the slight preference for relatively mature managers and the challenges of the economy," says Agrawal of Accord. Agrawal, along with Sheth of Shilputsi has been a regular on our selection panel since 2004, when we started featuring this list.

Third, the attitude of some companies made choosing difficult too. Companies often do not allow their best young people to be featured. This time round, for instance, we were unable to reach out to some people we would have liked to – Amrita Paddha, General Manager, Human Resources, Hindustan Unilever; Achin Gupta, Senior Vice President, Corporate Strategy, Glenmark Pharmaceuticals; Madhur Deora, Managing Director, India Investment Banking, Citigroup; and Mahesh Narang, Chief Operating Officer, Cummins India.

Even so, the list is a fair pointer to the trends among our successful young professionals. How these professionals hunger for experience and challenges. How they focus and multi-task. How most have awe inspiring qualifications. How, in many cases, their companies helped them shine. Final words: much as we admire champions, we adore prodigies. ◆

SONAL AGRAWAL
Managing Partner, Accord Group
"... The focus has been on people who have succeeded through more challenging situations"

K. SUDARSHAN
Regional Managing Partner - Asia, EMA Partners International
"Growth is the catalyst to produce more young leaders..."

DEEPAK GUPTA
Chairman - India, DHR International
"We are seeing more young achievers steering their way forward..."

HOTTEST YOUNG EXECUTIVES

The Creative Marketer

His life is dotted with inflection points. He went to business school because everyone around him was doing so and, moreover, he didn't know what else to do after completing industrial engineering. But it was at a classroom lecture by Santosh Sood, then with Lintas, at IMT Ghaziabad that Dev Amritesh found his calling: brands and marketing. "Within an hour of the class, I knew that this is what I wanted to do," he says.

He went on to do it well. After stints with Cadbury India and Whirlpool India, he moved on to head marketing and new product development for Domino's Pizza India at Jubilant FoodWorks. At Jubilant, Amritesh realised what taking ownership meant and how to chart the course of a new brand. "Pizzas were expensive then, and we wanted to offer a pizza for the price at which one eats *chhole bhature* on the street," he says. In 2007 Domino's launched Pizza Mania for ₹35 – and that turned out to be a game-changer making pizzas accessible to a much larger segment of people. "Imagination and creativity find their best expression in marketing" became his mantra.

But when Amritesh became President and Chief Operating Officer of Dunkin' Donuts India in April 2011, moving into general

Dev Amritesh, 39
COO, Dunkin' Donuts India

THE MBA DEGREE
It gives you a high-level view that the first 10 years of a job won't and helps you build perspective

FIRST BIG BREAK
Marrying my wife was the biggest one. It gave me the confidence that even the impossible can be achieved

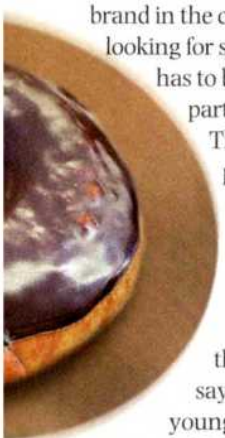
SKILLS I'VE TRIED TO ACQUIRE
Bringing creativity to whatever I do and not just be a left-brained manager. Also, trying to do a neat job of braiding my daughters' hair. Both of them are Rapunzels in their own right

FOCUS MANTRA
Nothing half-hearted, always go for broke, back yourself and then some. Never view the job as a job but bring yourself to the party, just remember to bring the real you, not the pretentious corporate-type you

VIVAN MEHRA/www.indiatodayimages.com

management from brands and marketing, he realised that imagination and creativity could be applied to any situation. His biggest challenge now is to build an organisation around an idea, of which the brand is a part. "That's what we are trying to achieve at Dunkin'. Culture and values in an organisation must also emerge from the idea that builds the brand. Products should emerge from that idea, people you hire should do best justice to the idea," he says.

Amritesh wants to make Dunkin' Donuts the most attractive food brand in the country. "We were looking for scale and in India food has to be a very important part of the plan to scale up. The brand had the opportunity to do more than just Donuts," he adds. So coffee and burgers are also on the Dunkin' Donuts plate at its 21 stores in the country. Amritesh says he is targeting the young adult: the 25-to-35-year-old, who has outlived the quick service restaurants but finds coffee shops too pretentious.



One golf game a week and spending time with his family make him happy. "I have two girls, four and nine. If I can get home before they have fallen asleep, it's a great work day." On his mind right now is the motorbike he wants to buy soon. "I plan to ride to Leh someday."

SARIKA MALHOTRA

PHOTO: RACHIT GOSWAMI; IMAGING: RAVI

Meteoric Rise

Avani Davda, 34
CEO, Tata Starbucks

FIRST BIG BREAK
Joining Tata Administrative Services programme and then serving as EA to R.K. Krishna Kumar

SKILLS I'VE TRIED TO ACQUIRE
Striking for excellence every day by imbibing the valuable leadership lessons and business values

FOCUS MANTRA
Finding people who have the same values as yourself is what keeps me motivated

TIME MANAGEMENT
I have always believed in honesty, at work or with family. And that helped me strike the correct work-life balance

Avani Davda takes success in her stride. She started off as an intern with Lowe Lintas. Joining the Tata Group was almost an unexpected stroke of fortune. "I had not done any homework on the group." Her first few years were a trial by fire. She started off in the sales and marketing team of Indian Hotels and rose to general manager in five years. The year 2008 was her moment of glory when the venerable R.K. Krishna Kumar, Director, Tata Sons, chose her as his executive assistant.

Her rise since then has been meteoric. She has worked on some of Tata's biggest global ventures. She was involved in big ticket deals such as the Tata's NourishCo's deal with PepsiCo India in 2010, and of course, Tata-Starbucks, which she now heads. Davda says two events left a deep imprint on her and shaped her values as a Tata employee. One was when Ratan Tata decided to pull the Nano project out of Singur. She recalls how within hours of making the announcement, Tata was at the Tata Medical Centre, perfectly calm, discussing plans with doctors and architects. "He showed a lot of courage," she says.

The other occasion was the terrorist attack of November 26, 2008. She recalls how Tata took stock of things and also attended the funerals of all those who died in the attack. "These instances will always remain with me. I need to be like that," she says.

MANISHA SINGHAL

To find out how the mother of a seven-year-old son manages her work-life balance, log on to www.businesstoday.in/hye14-davda

Gaurav Bhuwan, 37
Head of Retail, Tanishq, Titan Company

THE MBA DEGREE
Gave me an opportunity to learn various aspects of business through the case study methodology

FIRST BIG BREAK
Being entrusted with the responsibility of setting up the US business of Tanishq

SKILLS I'VE TRIED TO ACQUIRE
Managing a business from a profitability perspective

FOCUS MANTRA
Give every task your best and good results will follow. Treat your people as human beings and not as resources.

TIME MANAGEMENT
I apply concepts of project planning to identify and prioritise key tasks

HOBBIES/INTERESTS
Enjoy playing the guitar and singing along to old Bollywood numbers

Getting His Due

It has been a rapid rise for Gaurav Bhuwan since he was picked from the IIM Lucknow campus by watch and jewellery maker Titan in 1999. In his first assignment, as Regional Business Manager of the jewellery brand Tanishq for north India, he tasted success. Tanishq was then just about four years old, but in the next five years to 2005, Bhuwan tripled the region's turnover from $16 million to $50 million.

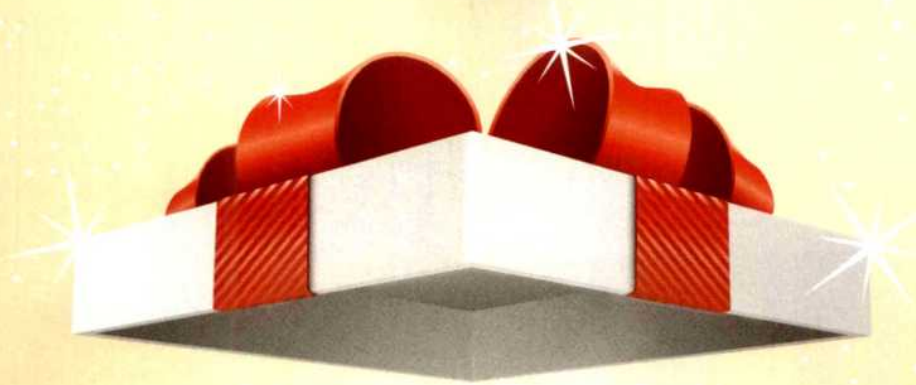
The most exciting part of his career, however, he says, was between 2007 and 2009, when he was sent to the US to set up Tanishq's operations there. Within a year, by July 2008, he had pilot showrooms opened at Illinois and New Jersey. No one could have predicted what followed – the Lehman Brothers collapse and with it a worldwide financial crisis.

"I had to start from scratch, run the business for some time, and finally, shut it down myself," says Bhuwan. Tanishq was forced to close shop in the US, but the manner in which Bhuwan managed the withdrawal, impressed his bosses. No legal issues arose in the US over the sudden departure, and the loss incurred by Titan was minimal. In recognition of his achievement the company conferred on him the title of 'Outstanding Titanian'.

It was Bhuwan too, who in 2011, conceived and launched Mia, a line of Tanishq jewellery for working women. Mia is now a ₹120-crore brand. He expects it to touch ₹1,000 crore in the next five years.

K.R. BALASUBRAMANYAM

NILOTPAL BARUAH/www.indiatodayimages.com



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HOTTEST YOUNG EXECUTIVES

Intense and Focused

NISHIKANT GAMRE

Gaurav Gupta, 38
MD & Head, Macquarie Capital India

MY EDUCATION
Besides financial literacy, a CA curriculum helped instill a sense of discipline in me

FIRST BIG BREAK
Making the switch from Andersen to Rothschild, when Rothschild was setting up its business in India

FIRST FAILURE
Not qualifying for the cricket team in school

SKILLS I'VE TRIED TO ACQUIRE
Be patient and be a good listener

FOCUS MANTRA
Do your karma... everything else will follow!

TIME MANAGEMENT
Prioritise and delegate effectively

His ability to connect with his clients and deep understanding of issues have helped Gaurav Gupta strike big deals for the likes of the Adani Group. "To connect is very important. The ability to understand softer issues related to an entrepreneur and his company, and then come up with an apt solution which exceeds his expectations, is important to me," says Gupta. He recalls how using his fingers to eat helped him connect with MTR Foods's founder Sadananda Maiya. That $100-million deal involving MTR Foods and Norwegian company Orkla saw him put on four kilos. "Gupta takes keen interest in understanding client issues and offers solutions and advice that are relevant," says Gautam Adani, Chairman, Adani Group.

Gupta feels he has been fortunate to work for companies that were in their formative phase, as that helped him learn how a business is built. He was formerly with Andersen, Rothschild and Lehman. He has made his presence felt across industries.

In mid-2012, Gupta helped Providence pick up a stake in Hathway Cables from media giant News Corp. This was a very proactive and "ahead-of-its-time" deal. Fortunately, the government announced compulsory roll-out of digitisation a few months thereon. "His maturity and his ability to form strong relationships with his clients keep him ahead of his peers," says Biswajit Subramanian, MD, Providence Equity Partners.

Gupta himself is modest about his achievements. "Over the years, I have realised that one can't do everything for everyone. But, whatever we do, we have to be the best," he says.

MAHESH NAYAK

To find out how Gupta beats stress, log on to www.businesstoday.in/hye14-gupta

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Strategic Mover

This computer science graduate from IIT Delhi had three options before him in the mid-1990s: a master's degree in the US, an MBA in India, or the civil service. He opted for the MBA. After two years at software major Tata Consultancy Services, he went to IIM Ahmedabad, in 1997, and graduated with a gold medal. He had the choice of joining an investment bank abroad or a consultancy.

"I didn't like the cut-throat, money-oriented banking work culture," he says. He joined McKinsey in 1999. "I owe a lot to McKinsey," he adds. Gupta worked there nearly 12 years. The job was hectic: he travelled often, and meetings kept him busy all day. He dealt with promoters of all kinds. What he liked most about Indian entrepreneurs was their risk-taking ability.

By the end of 2007, Gupta was a partner at McKinsey. By 2010, he was revaluating his career. "I was thinking of opting for a corporate job," he says.

He told his boss he wanted to move by the year-end. By coincidence, he got a call from the Aditya Birla Group the next day. The group wanted him to assist in strategic planning in Chairman Kumar Mangalam Birla's office. There was another competing corporate offer.

"One was an operational job, while the other was purely advisory," says Gupta. After three months of thinking them over, he chose the advisory one. He says with a grin: "There was no job description. I always thought that the Birla Group was more professional." But the transition was smooth, he adds.

Gupta and his team advise Kumar Birla on strategic and operational issues. He says he loves his job, and regards it as his golden period. He adds that Kumar Birla listens a lot and speaks little. That may be why Gupta's life isn't hectic any more. After living out of a suitcase during his McKinsey years, Gupta now has a more balanced lifestyle, finding time for badminton, tennis and, of course, his family.

ANAND ADHIKARI

Prashant Gupta, 39
President, Chairman's Office,
Aditya Birla Group

THE MBA DEGREE
It helped me learn from intelligent peers, and gave me the basic toolkit to understand any business

FIRST BIG BREAK
My job at McKinsey

FIRST FAILURE
Practically no impact on sales of a branch office at a client, where I was driving a sales stimulation programme

SKILLS I'VE TRIED TO ACQUIRE
Influencing people through multiple tactics

FOCUS MANTRA
Rudyard Kipling quote: "If you can meet with triumph and disaster, and treat those two impostors just the same"

WHAT I DID DIFFERENTLY
Willingness to experiment and go out of my comfort zone. Played straight bat

TIME MANAGEMENT
Do only one thing at a time

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Living His Dreams

Being in the profession he always wanted to be a part of and working for a company he always wanted to be associated with, Arun Iyer has his life sorted. After getting an undergraduate degree in commerce, Iyer knew he wanted to get into advertising. And he wanted to work for Lintas. So, what drives him now that he has the job of his dreams? As the creative head of Lowe Lintas & Partners, Iyer always looks for those moments when an idea generated by the agency succeeds with a client and the audience . "That feeling is irreplaceable."

Known for much-lauded campaigns such as Surf Excel's Daag acche hain and the Tanishq remarriage one, Iyer believes in working from campaign to campaign. "You can't hold on to your past for too long. You have to switch off and say, 'Let's move on and do more good work', or in a matter of time you will get outdated," he says.

His first big break came with the Daag acche hain campaign. Iyer says his bosses – Preeti Nair, then Executive Creative Director, and R. Balki, the National Creative Director – suddenly realised they could not be present for the shoot in Ooty. They then decided to let Iyer manage the shoot. "For them to take that call was a bold move and a great chance for me."

Iyer is unfazed by people who doubt his capability. "I have only one answer to that ... Let the work come to the table. Once that happens, everything gets taken care of."

ARPITA MUKHERJEE

Arun Iyer, 35
National Creative Director, Lowe Lintas & Partners

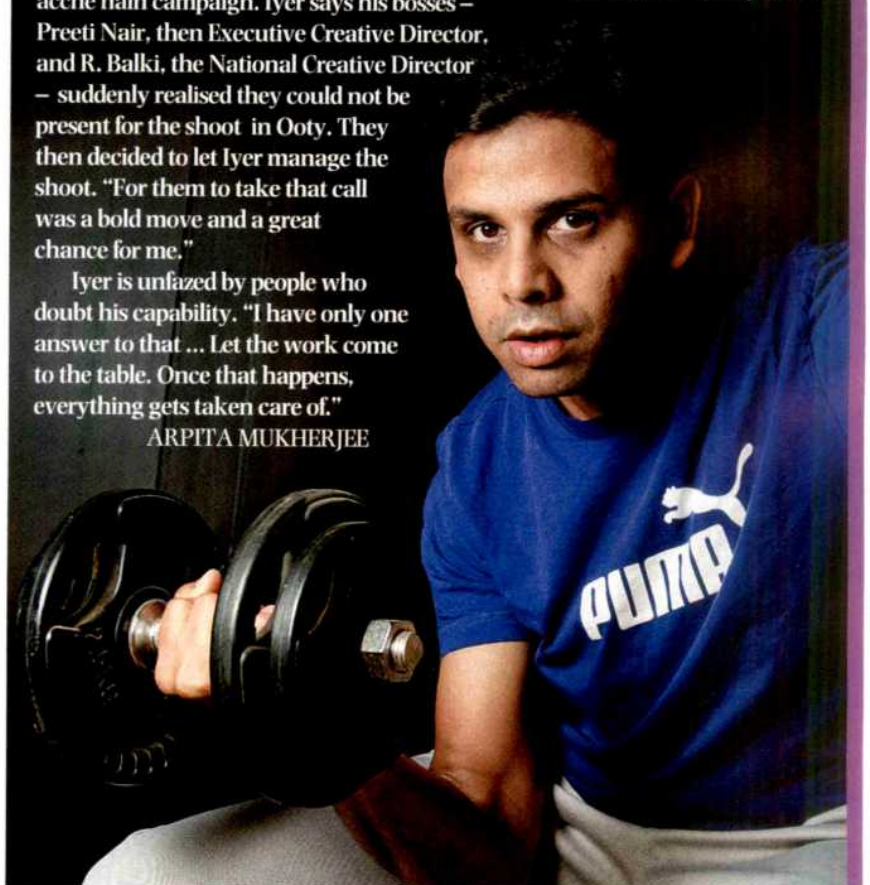
MY EDUCATION
What I studied has not helped me, but the experiences at the time were useful

FIRST BIG BREAK
The Surf Excel *Daag acche hain* campaign

SKILLS I'VE TRIED TO ACQUIRE
There has not been any conscious effort but lots of observation of people around me

FOCUS MANTRA
Just go do your work, go home, watch some movies, play badminton, and go to sleep

TIME MANAGEMENT
At the expense of sounding pompous, I am quite good at it



NISHIKANT GAMRE/WWW.INDIATODAYIMAGES.COM

HOTTEST YOUNG EXECUTIVES

Sarajit Jha, 38
COO, Tata Business Support Services

PHOTO: RACHIT GOSWAMI; LOCATION: SMAASH

Keeping it Simple

'Sarajit's Self Development Plan'. That's the headline in bold on an A4 size paper pinned to a soft board in Sarajit Jha's cabin at his Hyderabad office. The 38-year-old, Chief Operating Officer of Tata Business Support Services (TBSS), has set simple rules for himself. The self development plan he has set down includes "Carve out family time" and "Do not make destructive comments".

Jha also appears very clear on where he should be headed and what he needs to do to get there – be it his personal goal of losing weight or professional ones, such as the kind of team he would like to build and lead.

Jha, an MBA from the Xavier Institute of Management, Bhubaneswar, already has numerous achievements. He started his career with Tata Administrative Services in the year 2000 and since then has been deputed to various Tata group companies, an invaluable experience for him.

Jha calls TBSS possibly the largest citizen services company in the world. "We provide the entire customer care support for the Passport Seva Kendra and for Aadhaar," he says. He also adds that he has learnt from his failures. "When things don't work out don't hang people. Nobody will then believe you when you say we need people who can take risks," he says.

A remark by R. Gopalakrishnan, Director, Tata Sons, left a deep impression on Jha. "Life can be treated either as a journey to be enjoyed or as a set of milestones to cross," Gopalakrishnan told him. To this, Jha adds another dimension. "I have looked at most situations as opportunities," he says.

E. KUMAR SHARMA

THE MBA DEGREE
Helped me develop perspective and meet a lot of people who were different from me

FIRST BIG BREAK
Becoming COO and head of Alliance Coffee, the international joint venture of theTatas, at the age of 30 in 2006

FIRST FAILURE
A call that I took about a product launch

SKILLS I'VE TRIED TO ACQUIRE
People management

FOCUS MANTRA
Risk management and compliance

TIME-MANAGEMENT
I don't believe in multi-tasking

WHAT I DID DIFFERENTLY
Looked at most situations as an opportunity

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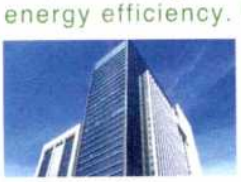
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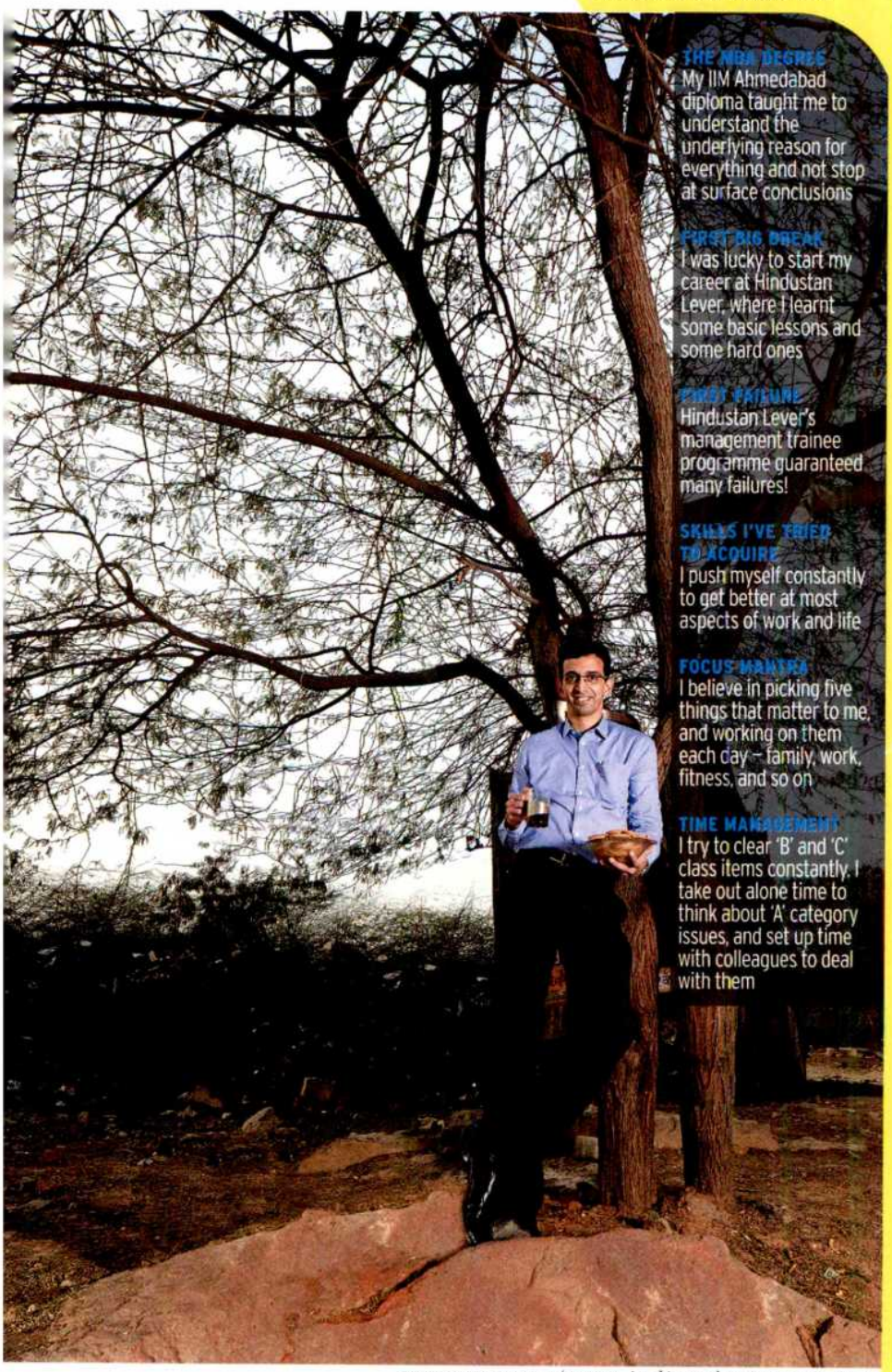
Team Builder

Jayant Kapre, 40
President, United Biscuits India



THE MBA DEGREE
My IIM Ahmedabad diploma taught me to understand the underlying reason for everything and not stop at surface conclusions

FIRST BIG BREAK
I was lucky to start my career at Hindustan Lever, where I learnt some basic lessons and some hard ones

FIRST FAILURE
Hindustan Lever's management trainee programme guaranteed many failures!

SKILLS I'VE TRIED TO ACQUIRE
I push myself constantly to get better at most aspects of work and life

FOCUS MANTRA
I believe in picking five things that matter to me, and working on them each day – family, work, fitness, and so on

TIME MANAGEMENT
I try to clear 'B' and 'C' class items constantly. I take out alone time to think about 'A' category issues, and set up time with colleagues to deal with them

SHEKHAR GHOSH/www.indiatodayimages.com

As the first employee of the India operations of British multinational United Biscuits (UB), Jayant Kapre has been instrumental in building the business from the ground up in just five years. "United Biscuits India is the most important thing that I've ever done," he says.

Kapre considers UB India a start-up as globally, too, it is funded by private equity. The ₹120-crore Indian arm's products are sold in 100,000 stores and 4,000 modern retail outlets in 600 towns. Commercial operations began in January 2010, and grew 50 per cent last year. Kapre says it was a challenge to create disequilibrium and disrupt a market in which consumers are used to certain brands, and to let consumers know where they have missed value.

He built his sales and marketing team from sectors as varied as confectionery, dairy, frozen products and cola. He says they worked seven days a week for the first two years to make the new venture a success. He adds that he has a small team of like-minded people who have a practical approach, are fast decision-makers, and can spot errors quickly.

UB India has 800 distributors, exports to 26 countries, and is in talks to expand further. In addition to its factory in Ambala, Haryana, UB has set up a contract manufacturing facility in Hyderabad to cater to southern markets.

ARUNIMA MISHRA

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Winning Spirit

Hardly a weekend goes by when Nitesh Kripalani doesn't play squash. And it's no casual game. "Sports has nurtured the competitive spirit in me, the spirit to win," says Kripalani, who looks after new media and business development at Multi Screen Media (MSM). A sports lover, Kripalani played football and volleyball too during his college days. Kripalani started his career with knowledge process outsourcing firm Ajuba. He later worked with A.T. Kearney in Singapore and British Telecom in London. He joined MSM in 2009 and was part of the core team responsible for turning around the business.

He says his greatest achievement in the past year has been the launch of the Sony Liv digital platform, an aggregation of content from all company channels. "The idea was to reach out to consumers in their own environment and enable them to consume our content as per their convenience," he says.

AJITA SHASHIDHAR

THE MBA DEGREE
An MBA teaches you general management, people management and work-life balance.

FIRST BIG BREAK
Moving to London with the BT Group strategy team and working for one of my mentors - Petri Allas

FIRST FAILURE
Failed Hindi in my first year as an undergraduate

HOW I STOOD OUT
I think the ability to get things done, across geographies, and across industries makes me stand out

FOCUS MANTRA
If you want something, you have to go get it

TIME MANAGEMENT
Structure tasks and timelines, filter relevant data, respect time schedules and adhere to them, live by your calendar

Nitesh Kripalani, 33
Executive Vice President, Multi Screen Media

NISHIKANT GAMRE/www.indiatodayimages.com

To find out how Kripalani put Multi Screen Media on the road to profitability, log on to www.businesstoday.in/hye14-kripalani

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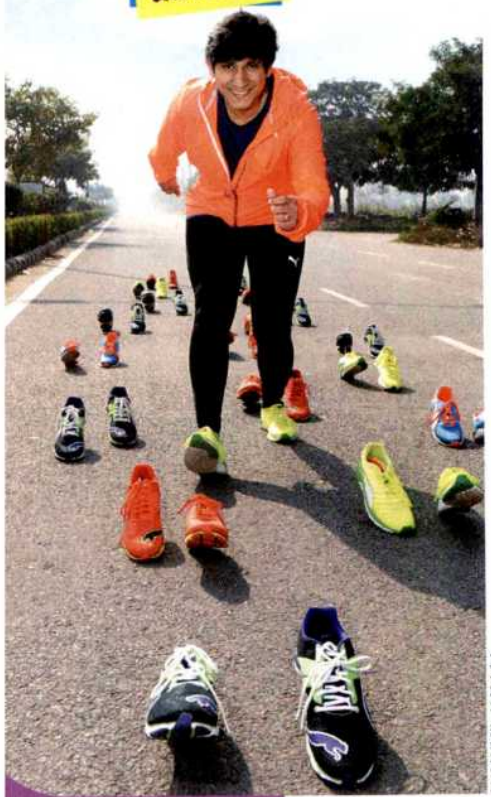

VIVAN MEHRA

THE MBA DEGREE
It gave me a good idea of how things work within a corporation

FIRST BIG BREAK
Puma India

FIRST FAILURE
Having to close the first store we set up at Commercial Street, Bangalore

SKILLS ACQUIRED
Cooking, paragliding, snowboarding

FOCUS MANTRA
Take risks, be upfront

TIME MANAGEMENT
I try to stay planned and organised

SPORTS/HOBBIES
Run and workout at least four to five times a week. Love adventure sports and travel

Rajiv Mehta, 35
MD, Puma South Asia

In Quest of Adventure

Rajiv Mehta looks after Puma's operations in India, Sri Lanka, Bangladesh, Bhutan, Nepal and the Maldives from his corporate office in Bangalore. Born and brought up in Mumbai, he studied chemical engineering in India and the US, and then went on to INSEAD, Singapore, for a management degree, from where Puma recruited him in 2006 to set up its India business. "I had a high appetite for risk and little or no fear," he says of that time. Under him, Puma India has done well, recording a compound annual growth rate of 38 per cent between 2006 and 2011, and now has nearly 300 stores in over 100 cities and towns.

Apart from his responsibilities at Puma, Mehta is also an angel investor. In recent years, he has invested in 14 start-ups, exiting three of them within 18 months with handsome returns. Apart from seed-funding, he also guides the teams at his chosen start-ups, though he does not sit on any of their boards.

A fitness freak and a marathon runner, Mehta is also a certified paragliding pilot. He loves water sports, particularly white water rafting, as well as bungee jumping and skydiving.

K.R. BALASUBRAMANYAM

To find out more on how Amit Mimani manages M&A deals, log on to www.businesstoday.in/hye14-mimani

Nuts & Bolts Man

When a deal is in the works, Amit Mimani forgets about everything else. So much so that while negotiating a particular deal in 2009, he missed three important family occasions – his wedding anniversary, his wife's birthday and his own. "The worst part of it was that the deal did not go through," he says. But, if a transaction does go through, it gives him a kick. "For M&A bankers, it does not happen very often, and it is best to take your chances and convert (the deal)," says Mimani, who also believes in focusing on substance. "I am the nuts and bolts person."

Mimani admires people who stretch themselves. Coming from a family of businessmen, he was the first to take up a job. After completing his chartered accountancy, he studied management at IIM Calcutta. Like his parents who were always supportive of their only child, Mimani is forever ready to help out his juniors. He sounds quite optimistic about the long-term economic scenario and thinks there will soon be a turnaround. "Maybe we will go through an even tougher phase before we bounce back. Maybe 2014 will be worse than 2013, so then in 2015 we can set ourselves for a massive recovery."

ARPITA MUKHERJEE

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Amit Mimani, 37
Director, M&A South Asia, Standard Chartered Bank

THE MBA DEGREE
MBA from an IIM helps you get the first break

FIRST BIG BREAK
Getting into Standard Chartered at a time when jobs were few

FIRST FAILURE
A large deal in 2009 on which a lot of time and energy was invested, failed

SKILLS ACQUIRED
Learnt to be patient with people in general and not react, but respond

FOCUS MANTRA
The client comes first

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Sabaleel Nandy, 38
VP, Manufacturing, Tata Chemicals

THE MBA DEGREE
The right kind of educational inputs are a big help

FIRST BIG BREAK
When R. Gopalakrishnan asked me to look at Swach

FIRST FAILURE
Swach should have been in the market 15-18 months earlier. We lost crucial time in launching the product

SKILLS ACQUIRED
No particular skill set as such. I tried to do things I like, and moved away from things I didn't

FOCUS MANTRA
I believe in execution. Strategising is only one part. But "focus mantra" is also an evolving concept

Always Hands-on

In his second job at Tata Motors, engineer Sabaleel Nandy went up to his boss, Tata Sons Director R. Gopalakrishnan, with a request. "I would love something hands-on," he said. Gopalakrishnan put him on Tata Chemicals Ltd's (TCL) Swach project, the water purifier that was then at an embryonic stage.

The Swach initiative gave him the break he was looking for, says Nandy, who still looks up to Gopalakrishnan as one of his heroes. Nandy became part of a highly talented team that gave Swach shape and identity, and then helped it blossom as a business. "When I was first associated with it, it was being written off as a CSR initiative," he says. "In my book, it's the next best thing to come out of the Tata Group after the Nano."

The Swach experience was an added advantage after his stint at Tata Motors, where Nandy was part of the sales team and handled 35 to 40 dealers in five western states. Today, he heads TCL's ₹2,000-crore Haldia fertiliser plant, which employs around 1,200 to 1,400 people, including contract labourers.

But success has come at a price. Haldia is three hours from Kolkata and this father of two daughters, whose family stays in the city, can meet them only on weekends. "My children don't understand," he says. "They say, 'Papa, do you have to go to work? We have enough food at home'." Most evenings, a little badminton with colleagues provides some relaxation.

ANIK BASU

King of Comedy

Ask Ferzad Palia anything about his work and the replies are quick. Ask him something about himself and he says: "Now, you're making me think."

Palia leads English entertainment channels – VH1 and Comedy Central – at Viacom 18. Although just 34, he is a veteran in the media and entertainment industry with 16 years of experience. "I have put in my years," he says when asked about achieving a lot at a young age.

Palia's first job was with ad agency JWT's marketing wing HTA Direct, where he also simultaneously completed his MBA on the insistence of his boss. He recalls that on the second day of his job, his boss asked him to release a nationwide print campaign in 18 languages. "I was thrown into the deepest end of the ocean, not even the pool," he says. "Thankfully, it all turned out right. It was the best way to start working."

Palia says the toughest time in his career came in 2007 when he had decided to leave MTV Networks (now Viacom 18) to join another company but later backed out when he was chosen to head VH1, the music channel that was launched in India two years before. He says his ability to lead VH1 came under intense scrutiny initially, but he managed to gain the top management's confidence after doubling the channel's revenue between 2010 and 2012. VH1 is now a highly profitable channel, thanks to the growing demand for English language channels in smaller cities, he says.

After the success at VH1, he started conceptualising the launch of Comedy Central in India. The channel completed two years in India in January. "The whole of last year has been about investing in Comedy Central. It's done extremely well, much better than we expected." Maintaining profitability at VH1 and growing Comedy Central are high on his priority list. "It is an exciting and, at the same time, scary time, because the markets are not at their best."

ARPITA MUKHERJEE

Ferzad Palia, 34
Senior VP, English Entertainment, Viacom 18

FIRST BIG BREAK
When I was handed VH1 at MTV Networks at the end of 2007 to take care of content, marketing, creative and run the brand

FIRST FAILURE
While I don't think I have had any substantial failures, I could have taken a bigger gamble in some situations

SKILLS ACQUIRED
People management and to never be afraid

FOCUS MANTRA
Go for the goal

TIME MANAGEMENT
Not very good at it. But, I have good people around me who help me out

HOW I STOOD OUT
I have the ability to interact with varied kinds of audiences, which helps me get great insights

RACHIT GOSWAMI/www.indiatodayimages.com

Sunil Prabhune, 39
Group Head, HR, L&T Finance Holdings Ltd

THE MBA DEGREE
It is completely unrelated to what you do. The biggest advantage of an MBA is that it gets you in touch with the right employers

FIRST BIG BREAK
Internship at ICI

FOCUS MANTRA
Speak to people, freely. You will begin to find focus.

HOW I STOOD OUT
In 2003/04, despite an opportunity to work for a multinational in the US, I decided to come back, and work for Indian companies in India

TIME MANAGEMENT
Multi tasking and effective time management is about understanding criticality

NISHIKANT GAMRE/www.indiatodayimages.com

A People Person

The view from his office is impressive. L&T Finance Holdings Ltd (LTFHL) Group HR head Sunil Prabhune's eighth-floor office overlooks Mumbai's airport, with its new terminal a distant centrepiece. The building was made by Larsen & Toubro, LTFHL's parent company.

Prabhune's job is as formidable as the view. He is the human resources boss of a company that has people from diverse cultures. In 2013, LTFHL merged its general insurance business with Future Generali in India, a joint venture between Future Group and Italian insurance major Generali. In 2012, it bought American group Fidelity's mutual funds business. Prabhune's degree from the Xavier Institute of Management, Bhubaneshwar, and experience heading HR at ICICI Bank's international operations came in handy managing the growing organisation.

Prabhune says his biggest break is his current assignment. But his first break was an internship at chemicals company ICI, where he worked with the person he calls his mentor, now ICICI Bank Executive Director K. Ramkumar. "In the last 20 years, I haven't seen an HR professional who can conceptualise better than Prabhune," says Ramkumar.

Prabhune isn't so sure about failures. "I can't recall even one instance where I have felt I have failed. There were setbacks, but I got a solid learning out of them," he says. One thing he did differently was when he decided to leave General Electric in the US and return to India.

As a successful executive, he says sport has taught him three things. "You have to be able to perform despite discomfort. And you might have a really, really bad day. The next day, can you jump back?" he says. "If you only play to win, you are going to have a fairly short career." Not surprisingly, his desk has two photographs: one of his wife and toddler and the other of the Indian cricket team with the 2011 World Cup.

SUPROTIP GHOSH

To find out more about Prabhune's HR strategies, log on to www.businesstoday.in/hye14-prabhune

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Knight Rider

Anoop Prakash, 39
MD, Harley-Davidson India

THE MBA DEGREE
At Harvard Business School, I learnt execution, training skills

FIRST BIG BREAK
Intelligence officer with the helicopter squad in the US Marine Corps

SKILLS ACQUIRED
While working at McKinsey, I learnt how to be in command of things and be incredibly passionate about sales

FOCUS MANTRA
Relentless focus on driving your plan and agenda. Tempo is in itself a weapon

TIME MANAGEMENT
I can flip my calendar anytime

SHEKHAR GHOSH/www.indiatodayimages.com

Anoop Prakash didn't know how to ride a bike until he joined the famous motorcycle company Harley-Davidson in 2010. That was the first thing he learnt on the job. Since then he has not only put Harley-Davidson ahead in India, he also developed the leisure biking market, a segment that hardly existed when Harley entered India.

His connection with Harley goes back to his childhood days in Minnesota in the US, which shares its borders with Wisconsin – Harley-Davidson's headquarters. As a child he was fascinated with Harley riders who came over on weekends. He grew up to become a US Marine Corps officer, where he served for four years. After quitting, he got a business degree from Harvard and started working for consultancy firm McKinsey.

At Harley, Prakash's biggest challenge was to bring down prices in India as the bikes cost more than a premium sedan. In January 2011, Prakash started Harley's manufacturing unit in India. The ex-showroom price of Sportster went down 17 per cent to ₹5.5 lakh and Fat Boy, 25 per cent.

Under Prakash, Harley has launched four families of motorcycles in India – Sporsters, Dyna, Softail and V-Rod – spanning 10 variants. The total number of bikes sold has gone up to 4,000 from just 100 in 2010. The fifth family, Street, which will cost around ₹5 lakh, will soon be launched in India. Nine of the 10 motorcycles that Harley sells in India are assembled at its Haryana factory. So too will be the Street Glide.

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The Risk Taker

ADITYA KAPOOR/www.indiatodayimages.com

Early in his career, Nitin Prasad learnt the biggest lesson of his corporate life – there was nothing wrong in making mistakes. As a 20-year-old fresher at San Jose technology company Altera, Prasad sent out a common e-mail to six to seven business clients asking them to share their technical know-how. Naturally they took offence on learning that Altera was soliciting other clients simultaneously – he should at least have sent separate emails. "I was embarrassed when one of them wrote back, making me realise the gaffe," he says. Prasad apologised to his line manager, but the response he got was priceless. "He told me not to be afraid of making errors. If you don't take risks you are not going to grow fast."

Now that he is in a leadership role, how does he operate? "I take time to recognise people, give them extra time to help them grow and thereby evolve teams from individuals." He joined the Shell Group in 2004 and led the company's strategy, business turnaround and new markets entry projects in Thailand, Indonesia, Singapore and China. In 2007, he stunned everyone by increasing the company's chemical business by 40 per cent by volume and 60 per cent by margins.

In his 17-year career, Prasad maintains he has seen three "bubbles" – the post-dotcom period, the Asian phase and the tail-end of Indian growth. "They were about over-exuberance, the mistaken feeling that we can change the world. Now we understand the basic economic fundamentals better."

And what does he do to overcome stress? "I put on my jogging kit and run on the treadmill," he says.

ANILESH S. MAHAJAN

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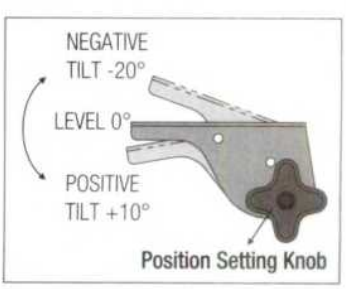

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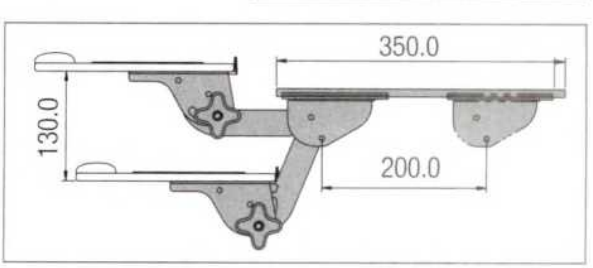

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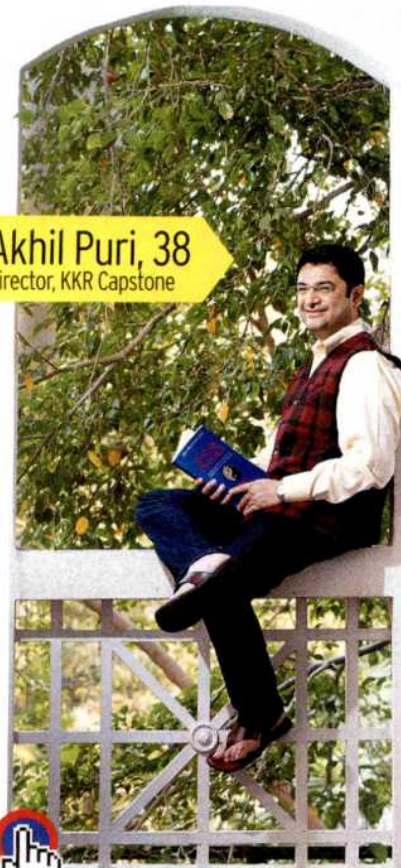
HOTTEST YOUNG EXECUTIVES



Akhil Puri, 38
Director, KKR Capstone

FIRST BIG BREAK
Joining GM in the US

SKILLS ACQUIRED
The US experience taught me to speak slowly and effectively. China and Vietnam taught me how to get work done even without knowing the local language

HOW I STOOD OUT
In 2006, GM had a shortage of microprocessors. I led a focused, cross-functional global team to find creative ways to avoid disruptions

FOCUS MANTRA
Setting challenging targets for myself

TIME MANAGEMENT
Prioritise work. Give immediate attention to important things

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

A Peaceful Mind

Seated comfortably in KKR's Indian office in Mumbai, the soft-spoken Akhil Puri is at peace with himself. "I read a lot on spirituality," he says. Puri, a mechanical engineer from IIT Kharagpur, joined Hindustan Unilever Ltd as a project manager in 1998.

In 2000, he went in for a Master's degree in International Management from the Thunderbird School of Global Management, US. "That gave me international exposure," he adds. In 2005, he moved to General Motors as a director and went on to hold various leadership positions in the US and China. In 2008, Puri became a member of TPG Capital's operating team.

He joined KKR Capstone, an arm of the global private equity player KKR & Co, in August 2012 and now works closely with KKR's portfolio companies in India. "The idea is to help businesses maximise their potential," he says. Puri also believes that "maturity matters more than age" to be successful in the corporate world.

ANAND ADHIKARI

To find out how Puri averted a crisis at GM, log on to www.businesstoday.in/hye14-puri

Turnaround Man

Chintu Neil Ramchandran, 39
CEO, Capco India

THE MBA DEGREE
It helped me to develop the ability to deconstruct complex issues into simpler parts and then find solutions for them

FIRST BIG BREAK
Moving to the consulting industry by joining a major UK firm

FIRST FAILURE
Trying to reason with my German Shepherd at the age of four. I still have the bite marks as a reminder of who the more effective negotiator was

SKILL ACQUIRED
More effective listening

NILOTPAL BARUAH/WWW.INDIATODAYIMAGES.COM

Chintu Neil Ramchandran turned around a dying company in India in less than two years. He quit Accenture and joined US-based MNC Capco in September 2011. On his second day in the office, he received a mail asking if the company, which does technology consulting work for the financial services industry, should shut down its loss-making Indian operation. "Capco had 70 people then and an attrition rate in high double digits. The entire senior management had walked out and drained the company of expertise in niche technologies," says Ramchandran. Naturally, he opposed closure.

By the end of 2013, Capco had 320 people with the attrition rate down to eight-to-12 per cent. And for the first time in its 10-year operations in India, Capco had started making profits. Ramchandran achieved the turnaround by rationalising non-salary expenses, creating a flat organisation without hierarchies, and linking remuneration to merit. "I believe in being paid well, paying well and empowering the junior staff."

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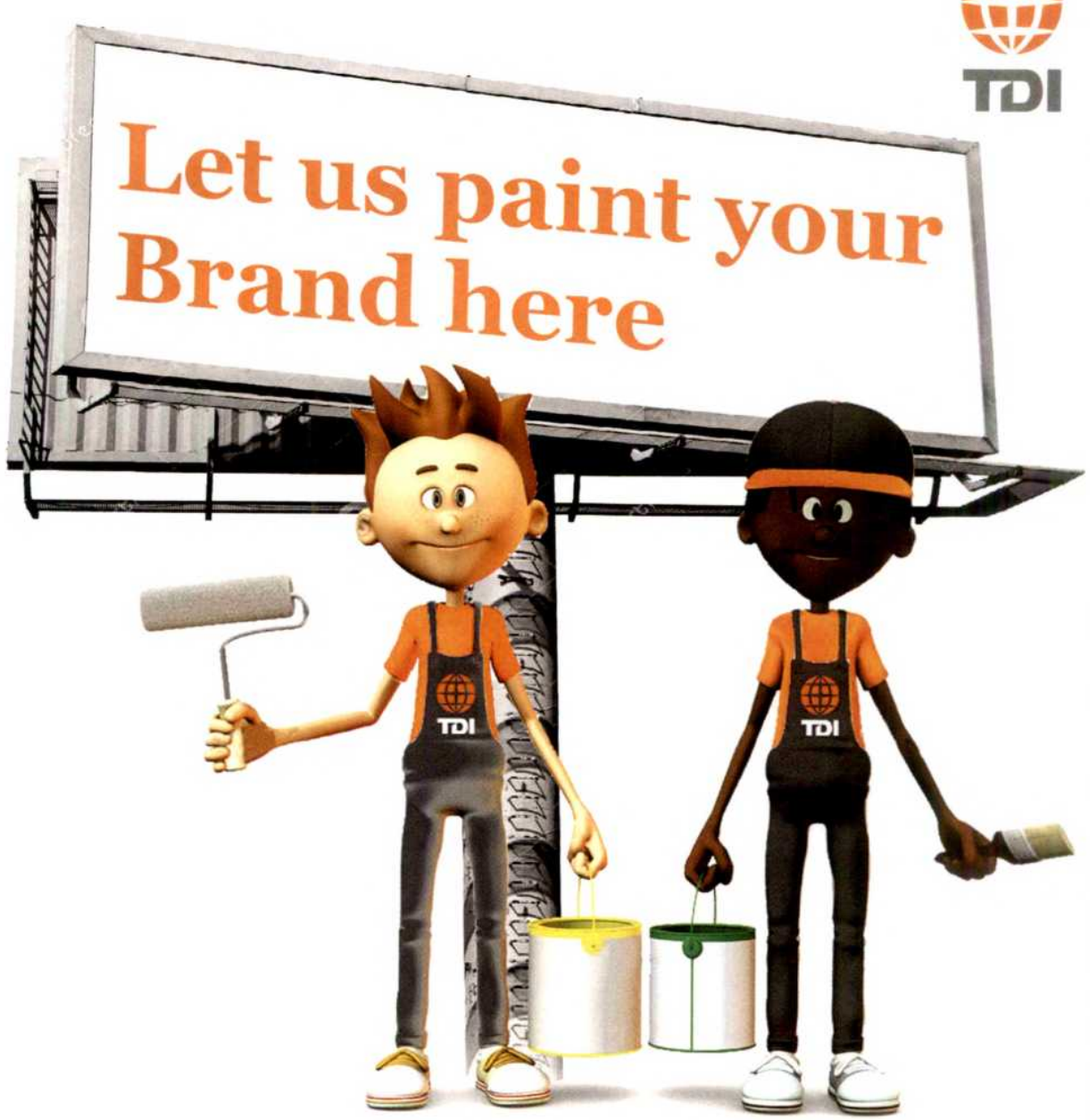

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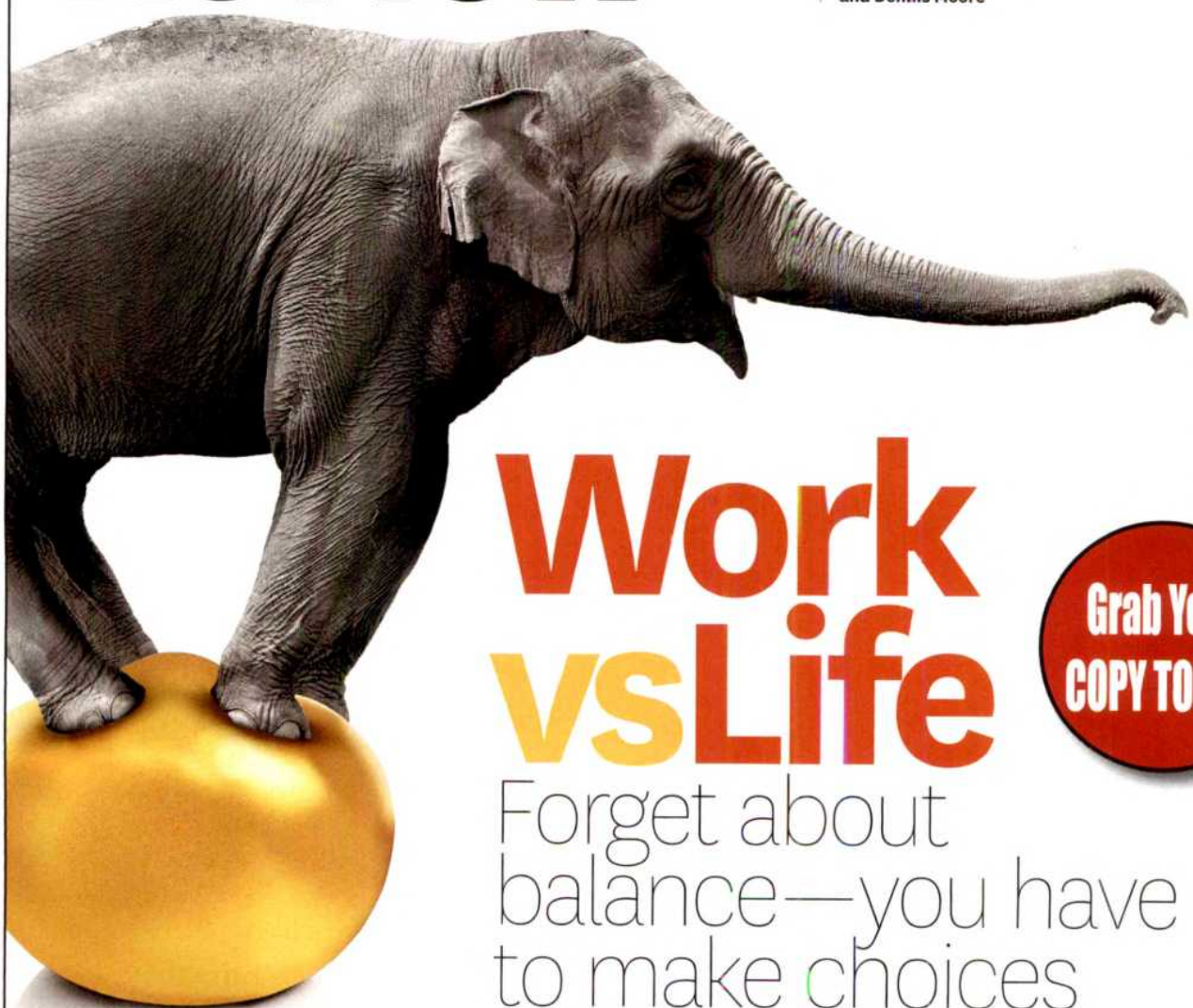

Work vs Life

Forget about balance—you have to make choices

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THE MBA DEGREE
It helps because of the kind of people you work with. Business leaders become your heroes, not rock stars

FIRST BIG BREAK
ICICI Prudential Life where I worked for a decade

FIRST FAILURE
We all fail. Something or the other goes wrong every day

SKILL ACQUIRED
Public speaking

HOW I STOOD OUT
I was more consistent than most people. I always believed that bad news needs to be given quickly

FOCUS MANTRA
You have to make sure that your deliverable is broken up into small parts

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Anup Rau, 40
CEO, Reliance Life Insurance

Relying on Instinct

Many decisions of this Delhi boy have been instinctive and intuitive. After graduating in Economics from Delhi University, Anup Rau, who now heads Reliance Life Insurance, joined Gilson Medical Equipment, a French company, in Delhi as a sales engineer, mainly because he was promised a trip to Paris if he worked for a year. Next on his agenda was an MBA from Mumbai. "I wanted to be in Mumbai," he says.

The decision to join ICICI Prudential Life Insurance in 2000 was the big turning point in Rau's life. For the first time, private sector companies had been allowed into the insurance sector. Rau worked with ICICI for a decade. In 2010, he moved to HDFC Standard Life Insurance, where he worked for two-and-a-half years. Last year, with yet another job switch, he reached the corner room of Reliance Life Insurance. "This is an open organisation and less hierarchical than many others," says Rau. "My vision is to make Reliance Life the most admired insurance company in India."

ANAND ADHIKARI

To know what he feels about the companies he worked for, log on to www.businesstoday.in/hye14-rau

Passion for Change

He has learnt to embrace change. Nishant Rao, Country Manager (India), LinkedIn, the world's largest professional networking site, sees change all around him and revels in it. "Being open to new things allows you to reach new heights and have new experiences," he says.

There is change in Indian companies' attitude to hiring too. "Earlier it was quantity play, scan 1,000 resumes to get the right candidate," he says. "We offer quality play – instead of 1,000 we give the 50 best resumes. Indian companies are realising that quality works."

He was one of the earliest members to join LinkedIn. "I was working with McKinsey in the US when LinkedIn approached me to head its global strategy," he says. The move to India came later. With 24 million members, India now has the second largest member base of LinkedIn after the US.

Another change: he is learning golf. "I also enjoy putting my kids to sleep. I'm told I sing well, so I sing them to sleep," he says.

SARIKA MALHOTRA

Nishant Rao, 35
Country Manager, LinkedIn

THE MBA DEGREE
It gave me three key ingredients for future success – a strong network, a broader and richer perspective and forced me to reflect on myself

FIRST BIG BREAK
When the woman I loved (now my wife) said yes

SKILL ACQUIRED
Public speaking

HOW I STOOD OUT
I focused on process excellence rather than outcome. If I can look myself in the eye and say that I gave it my best effort, I don't worry about the result

FOCUS MANTRA
Working out in the morning for a healthy body and healthy mind; the renewed energy levels help me focus

VIVAN MEHRA/WWW.INDIATODAYIMAGES.COM

HOTTEST YOUNG EXECUTIVES

The Multiplier

Devraj Sanyal began as an entrepreneur after his graduation. He started his own events and sponsorship marketing business, Curtain Raisers, but later joined Elle magazine as marketing manager in 1995. The next stop was Percept D'Mark, the sports and event management arm of Percept Holdings, in 2004, whose revenue he grew from ₹3 to ₹300 crore in 2007.

At Universal Music, revenue has nearly tripled since he took over and touched nearly ₹100 crore. The company is also "ridiculously profitable", says Sanyal. When the rest of the industry was acquiring expensive Bollywood catalogues, Sanyal promoted non-film music as well as devotional, jazz and rock music. For a man used to doing things differently, he fears the day when he stops thinking out of the box. "I will push the envelope every day of my life," he says.

AJITA SHASHIDHAR

MY EDUCATION
To me, it didn't make a big difference as it never stopped me from growing.

FIRST BIG BREAK
Being hired in 1996 by Neerja Shah, Editor and Publisher of Elle Magazine

SKILL I ACQUIRED
Attention to detail

FOCUS MANTRA
To try and fail is better than not trying at all

HOW I STOOD OUT
I stood out because I'm not afraid of failure and willing to take a chance

Devraj Sanyal, 38
MD, Universal Music

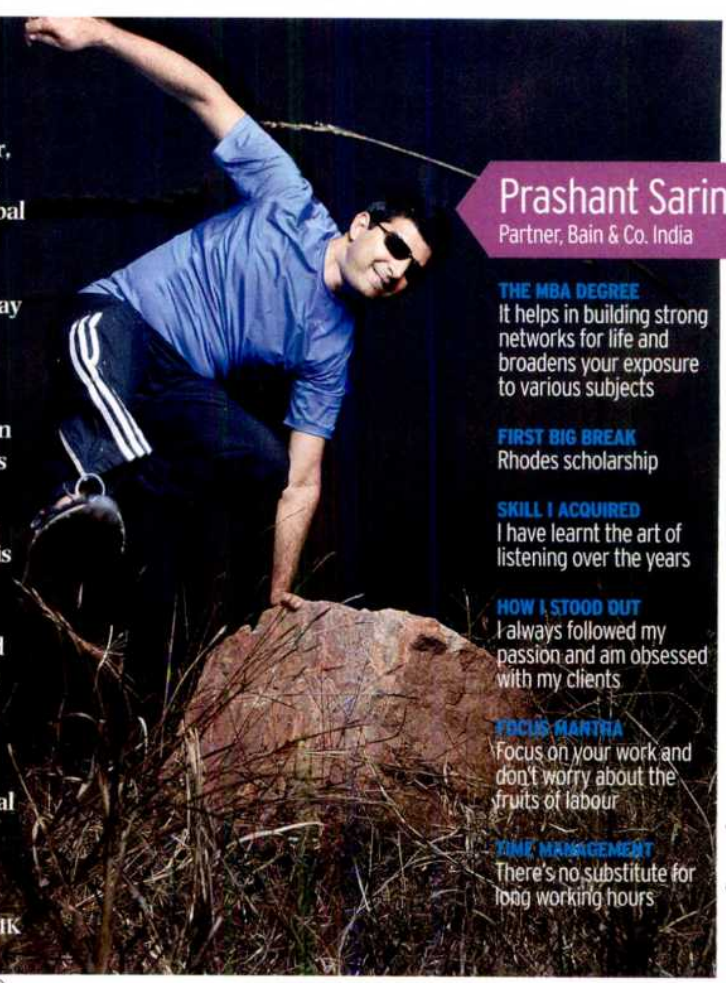
NISHIKANT GAMRE

To find out more about his unconventional choices, log on to www.businesstoday.in/hye14-sanyal

Consultant with a Difference

He is one of the most sought-after people in consulting. The job offers that come Prashant Sarin's way, however, don't excite him as much as the diversity of the work he does at global management consulting firm Bain & Company. As a student, he wanted to be a journalist but later realised that his interest lay elsewhere. After his graduation from IIM Calcutta, he was chosen for the prestigious Rhodes scholarship and studied at Oxford University. When Bain was setting up shop in India in June 2006, Sarin was recruited as its first consultant. He declined the post of a product manager at Google to join Bain. "At that point, I was attracted by the fact that this was a consulting firm with a difference. We were working with change-oriented executives who shared a passion to build and create something new." At Bain India, Sarin leads the organisation's practice vertical, besides working in the industrial goods and infrastructure sectors. "Clients don't hire us to find magical answers. There are no magical answers. They hire us to come up with sensible answers and to help them move in the correct direction."

MANU KAUSHIK



Prashant Sarin, 37
Partner, Bain & Co. India

THE MBA DEGREE
It helps in building strong networks for life and broadens your exposure to various subjects

FIRST BIG BREAK
Rhodes scholarship

SKILL I ACQUIRED
I have learnt the art of listening over the years

HOW I STOOD OUT
I always followed my passion and am obsessed with my clients

FOCUS MANTRA
Focus on your work and don't worry about the fruits of labour

TIME MANAGEMENT
There's no substitute for long working hours

ADITYA KAPOOR/WWW.INDIATODAYIMAGES.COM

To know more about his experiences while dealing with clients, log on to www.businesstoday.in/hye14-sarin

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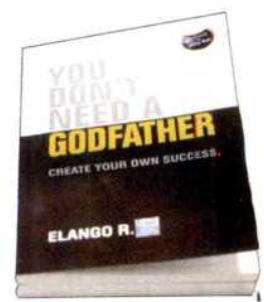

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HOTTEST YOUNG EXECUTIVES

Long-Haul Player

Anshuman Thakur prefers Test cricket to the T20 version of the game. So too, the Morgan Stanley investment banker knows mergers and acquisitions are a long-haul game, and it is better to be slow and steady rather than slog and lose one's wicket. "Striking a deal that conforms to our strategy and also meets clients' requirements gives me a high," he says. In his 15-year career, Thakur has worked on deals totalling over $20 billion. He started with Arthur Andersen and later worked with investment bank Rothschild. Munesh Khanna, Executive Director at PwC, who hired him at Rothschild, says Thakur is good with numbers and at spotting opportunities. "But his greatest ability is that he can convince people," he adds.

MAHESH NAYAK

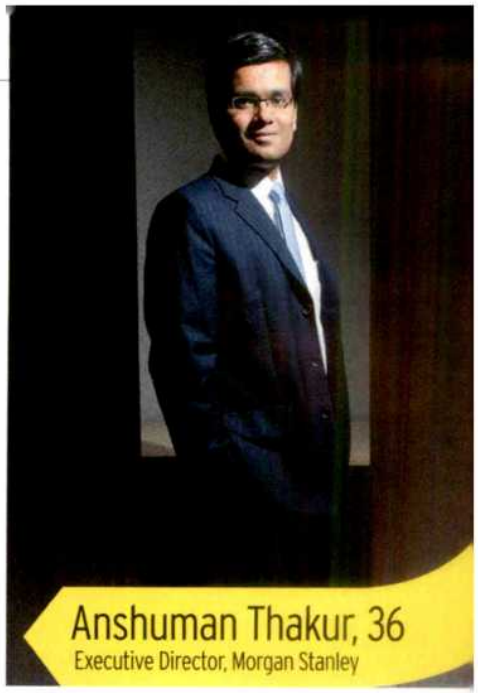
FIRST BIG BREAK
Getting into IIM Ahmedabad

FIRST FAILURE
Not making it to the Delhi University chess team

SKILLS ACQUIRED
People management

FOCUS MANTRA
Give it your best and results will follow

HOW I STOOD OUT
Excelled in my own subject, won client confidence, and thought out-of-the-box



Anshuman Thakur, 36
Executive Director, Morgan Stanley

RACHIT GOSWAMI

Rishi Vasudev, 40
COO, Arvind Brands

Game for Ideas

Rishi Vasudev looks for ideas everywhere. Having worked for 15 years in the industry, he believes it is ideas that have taken him ahead. "My job entails a lot of observation, and I love it that way," says Vasudev, Chief Operating Officer, Arvind Brands, who will soon take over as Country Head of a global fashion brand.

Ideas strike Vasudev at the unlikeliest of places. When he is at a mall in Bangalore with his family, for example, he drops into stores to check on fashion trends and draws ideas from them. Inspiration also strikes at home. Listening to his son talk about exclusive sports cards got him thinking about the limited-edition SuperLuxe brand from Arrow, which flew off the shelves. "If you don't change, you'll fall behind," he says.

A Punjabi who grew up in Assam, Vasudev has been at the top of his game from the very beginning. After a B.Tech from NIT Kurukshetra, he got his marketing MBA from the Management Development Institute, Gurgaon.

Vasudev, whose association with the textile industry began as a group management trainee with the Aditya Birla Group, says he got good opportunities to rise every few years. He joined Arvind Brands in 2007, heading Arrow and has stayed there since, with Gant and IZod brands added to his portfolio subsequently. As the head of Arrow, Vasudev is proud of the brand's progress. He says the company has transitioned from just a shirt brand to a lifestyle one. "The last six years were about rejuvenating the brand. Arrow, as a brand, is four-and-a-half times what it was six years ago," he adds.

ARPITA MUKHERJEE

MY EDUCATION
I believe in going back to basics and I keep educating myself

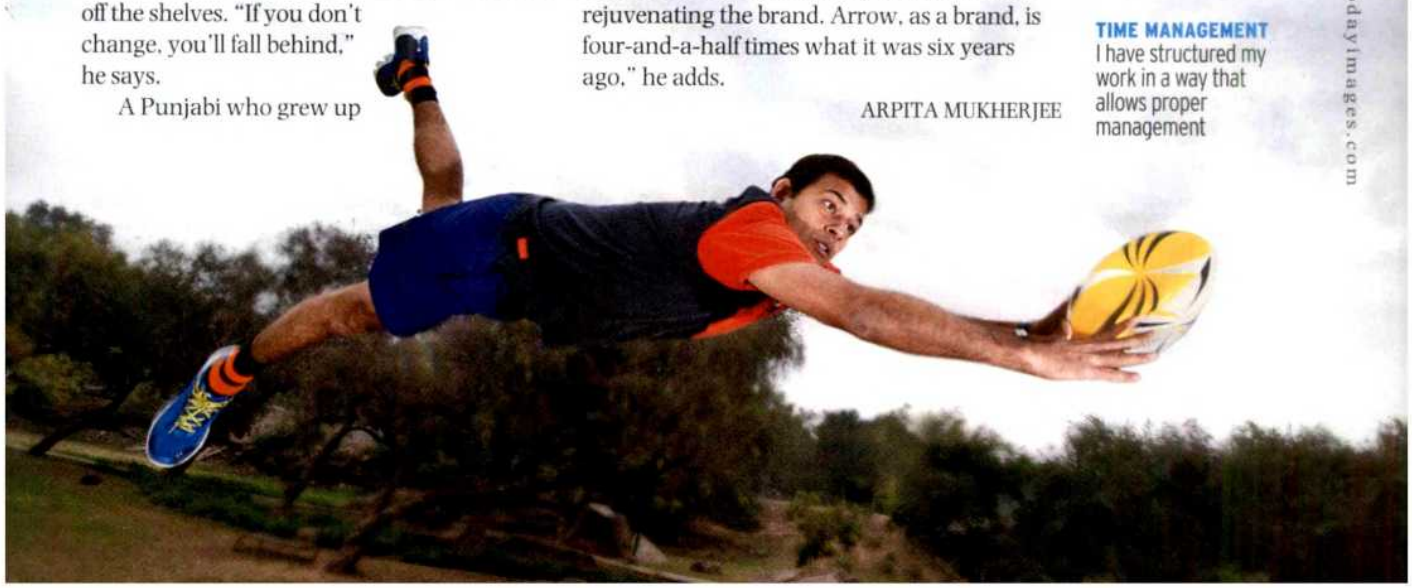
FIRST BIG BREAK
I got several huge breaks which set the pattern

FIRST FAILURE
You set standards, and you don't match up to those

SKILLS ACQUIRED
Working with people. Moving from a doer to carrying people along

FOCUS MANTRA
To find a better way of doing things, and use creativity as a medium to grow

TIME MANAGEMENT
I have structured my work in a way that allows proper management



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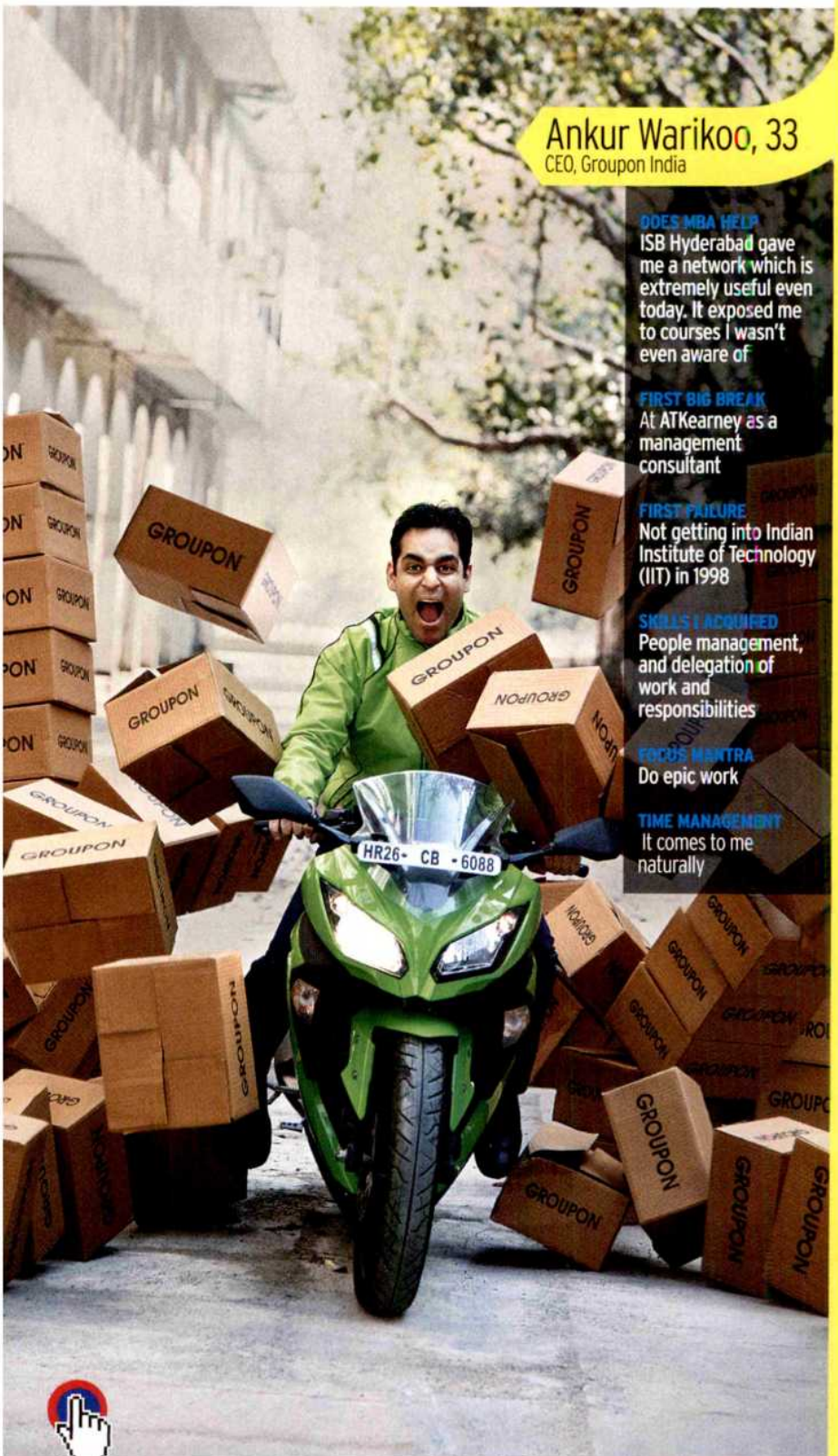
HOTTEST YOUNG EXECUTIVES

Achieving a Good Deal



To know why Warikoo's wife has access to his calender, log on to www.businesstoday.in/hye14-warikoo

VIVAN MEHRA/www.indiatodayimages.com

Ankur Warikoo was one of the first people hired by Groupon, the world's largest deal buying website, when it began its India operations in 2011. Deal buying was then one of the biggest phenomena on the Internet. At one time India had more than 50 players, but most faded away within two years. Groupon, which sells a host of products and services – from health care to vacations, toys and sports products – however, survived.

At Groupon, Warikoo's breakthrough moment came when he worked out a deal with Taj Hotels, known for its reluctance to enter into partnerships. In August last year, Groupon did a seven-day dinner deal with a restaurant at the Taj Mahal Hotel in Delhi. It was followed by two similar deals with the Taj in other cities. Another deal was with Vasan Eye Care, wherein a laser eye surgery, which normally cost ₹45,000, was made available at ₹25,000.

"This is a merchant first and not a customer first business," says Warikoo. "But this in no way undermines the importance of the customer." All consumer grievances and feedback mail goes directly to Warikoo, who takes two hours out every day to personally answer them.

Groupon now gets 48 per cent repeat customers compared to the industry average of 20 per cent. Warikoo, however, refuses to take credit. His says his contribution is a list called the '10 Commandments', and one of them is: "We will do deals which we will buy ourselves".

SUNNY SEN

PRODUCTION (Iron Ore) UP 36% (Q3 vs Q3)

SALES (Iron Ore) UP 38% (Q3 vs Q3)

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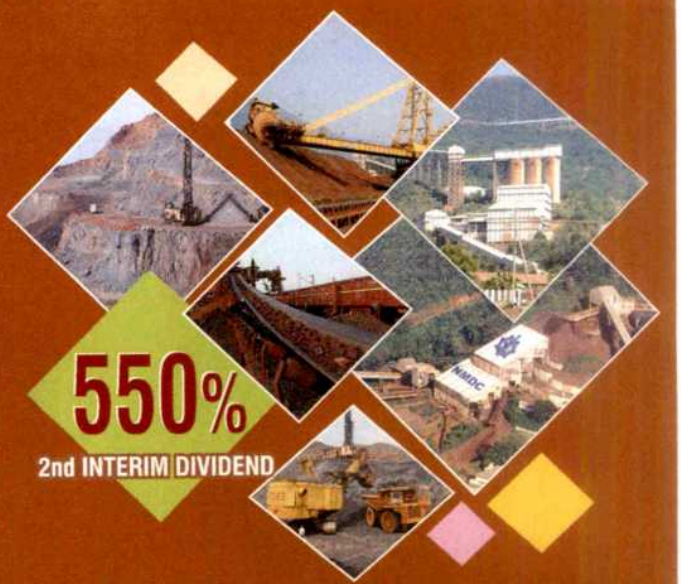

PART-I

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 31-12-2013

(Rs. in Crore)

Particulars	Unaudited					Audited
	Three months ended			Nine months ended		Year to date
	31-Dec-13	30-Sep-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Mar-13
1. Income from operations						
(a) Net Sales/income from operations (net of excise duty)	2,821.53	2,478.14	2,046.83	8,168.77	7,496.57	10,698.67
(b) Other operating income	1.64	1.78	0.86	4.94	3.45	5.60
Total Income from operations (net)	**2,823.17**	**2,479.92**	**2,047.69**	**8,173.71**	**7,500.02**	**10,704.27**
2. Expenses						
(a) Consumption of raw materials	8.78	7.95	8.54	20.65	23.32	30.94
(b) Consumption of Stores & spares	83.28	62.38	64.01	207.43	157.50	257.99
(c) Changes in inventories of finished goods and work-in-progress	-5.82	47.58	-49.49	66.05	-111.26	-184.33
(d) Employee Benefit Expense	157.35	144.68	139.19	450.35	418.46	579.92
(e) Royalty & Cess	225.55	182.43	204.69	631.56	648.92	952.43
(f) Selling Exps incl. Freight out	243.17	366.44	176.37	900.68	425.14	818.00
(g) Depreciation and Amortisation	36.17	34.79	33.87	107.31	99.84	138.52
(h) Other Expenses	208.05	174.70	113.12	595.24	309.77	871.35
Total Expenses	956.53	1,020.95	690.30	2,979.27	1,971.69	3,464.82
3. Profit from operations before Other income, finance cost & exceptional items (1-2):	1,866.64	1,458.97	1,357.39	5,194.44	5,528.33	7,239.45
4. Other income	507.70	538.37	556.26	1,566.98	1,691.48	2,238.87
5. Profit from ordinary activities before finance costs and exceptional items (3+4):	2,374.34	1,997.34	1,913.65	6,761.42	7,219.81	9,478.32
6. Finance cost	-	-	-	-	-	13.20
7. Profit from ordinary activities after finance costs but before exceptional items (5-6):	2,374.34	1,997.34	1,913.65	6,761.42	7,219.81	9,465.12
8. Exceptional items	-	-	-	-	-	-
9. Profit from ordinary activities before Tax (7-8)	**2,374.34**	**1,997.34**	**1,913.65**	**6,761.42**	**7,219.81**	**9,465.12**
10. Tax expense	807.04	678.89	620.85	2,303.48	2,342.39	3,122.75
11. Net Profit from ordinary activities after tax (9-10):	1,567.30	1,318.45	1,292.80	4,457.94	4,877.42	6,342.37
12. Extraordinary items (net of tax expense)	-	-	-	-	-	-
13. Net Profit for the period (11-12):	**1,567.30**	**1,318.45**	**1,292.80**	**4,457.94**	**4,877.42**	**6,342.37**
14. Paid-up Equity Share Capital: Face value per share	396.47 Re.1/-	396.47 Re.1/-	396.47 Re.1/-	396.47 Re.1/-	396.47 Re.1/-	396.47 Re.1/-
15. Reserves excluding revaluation reserves						27,114.49
16. i & ii EPS for the period (Rs) - Basic and diluted before and after extraordinary items	3.95	3.33	3.26	11.24	12.30	16.00
	(Not Annualised)					(Annualised)

PART-II **SELECT INFORMATION FOR THE QUARTER ENDED 31-12-2013**

Particulars	Unaudited					Audited
	Three months ended			Nine months ended		Year to date
	31-Dec-13	30-Sep-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Mar-13
A. PARTICULARS OF SHAREHOLDING						
1. Public shareholding						
- Number of Shares	79,27,69,420	79,27,69,420	79,27,69,420	79,27,69,420	79,27,69,420	79,27,69,420
- Percentage of shareholding	20	20	20	20	20	20
2. Promoters and Promoter group shareholding						
a) Pledged / Encumbered						
- Number of Shares	-	-	-	-	-	-
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-	-
- Percentage of shares (as a % of the total share capital of the company)	-	-	-	-	-	-
b) Non Encumbered						
- Number of Shares	3,17,19,46,580	3,17,19,46,580	3,17,19,46,580	3,17,19,46,580	3,17,19,46,580	3,17,19,46,580
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100	100	100	100	100	100
- Percentage of shares (as a% of the total share capital of the company)	80	80	80	80	80	80

Particulars	Three Months ended 31-12-2013
B. INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	NIL
Received during the quarter	44
Disposed of during the quarter	44
Remaining unresolved at the end of the quarter	NIL

SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER CLAUSE 41 OF THE LISTING AGREEMENT

(Rs. in Crore)

Particulars	Unaudited					Audited
	Three months ended			Nine months ended		Year to date
	31-Dec-13	30-Sep-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Mar-13
1. Segment Revenue (net sale / income from each segment)						
a) Iron Ore	2,796.98	2,454.75	2,032.08	8,086.01	7,442.66	10,609.50
b) Other Minerals & Services	35.95	34.43	29.39	107.61	98.69	145.56
Total	2,832.93	2,489.18	2,061.47	8,193.62	7,541.35	10,755.06
Less: Inter segment revenue	9.76	9.26	13.78	19.91	41.33	50.79
Net sales / income from operations	**2,823.17**	**2,479.92**	**2,047.69**	**8,173.71**	**7,500.02**	**10,704.27**
2. Segment Results (profit (+) / loss (-) before tax and interest from each segment)						
a) Iron Ore	1,949.24	1,507.19	1,392.57	5,400.03	5,620.50	7,385.10
b) Other Minerals & Services	-2.99	2.36	9.22	-8.28	30.41	28.76
Total	1,946.25	1,509.55	1,401.79	5,391.75	5,650.91	7,413.86
i) Less : Interest	-	-	-	-	-	(13.20)
ii) Add : Other unallocable income net off unallocable expenditure	428.09	487.79	511.86	1,369.67	1,568.90	2,064.46
Total Profit before Tax	**2,374.34**	**1,997.34**	**1,913.65**	**6,761.42**	**7,219.81**	**9,465.12**
3. Capital Employed (Segment assets - Segment Liabilities)						
a) Iron Ore	3,232.54	3,120.92	2,996.47	3,232.54	2,996.47	3,048.72
b) Other Minerals & Services	98.42	93.39	109.99	98.42	109.99	106.38
c) Other offices	27,350.21	27,291.33	25,349.67	27,350.21	25,349.67	24,454.11
Total	**30,681.17**	**30,505.64**	**28,456.13**	**30,681.17**	**28,456.13**	**27,609.21**

NOTES:

1. The financial results have been reviewed and recommended by the Audit Committee at its meeting held on 10-Feb-2014 and approved by the Board of Directors at its meeting held on 10-Feb-2014.
2. The export of Iron ore during the current nine months was 16.37 Lakh tons as against 7.31 Lakh tons of corresponding period of previous year. Due to this increase of export of Iron ore by 9.06 Lakh tons, the selling expenditure has gone up by Rs. 447.79 cr. Further, on account of Hon'ble Supreme Court judgement dated 18th Apr 2013 on illegal mining cases at Karnataka, 10% of sale proceeds of Donimalai sector amounting to Rs.200.62 cr (Previous corresponding period NIL) has been accounted in 'other expenses' in the current nine months period, towards contribution of Special Purpose Vehicle to be formed in Karnataka.
3. The Board of Directors has approved in its meeting held on 10-Feb-2014, a Second Interim dividend of Rs.5.50 per equity share of Re 1/- for the financial year 2013-14. With this for the current financial year, the total interim dividend declared by the company is Rs.8.50 per equity share.
4. Figures for the previous period have been regrouped wherever considered necessary so as to conform to the classification of the current period.
5. The financial results have been reviewed by the Statutory Auditors as required under clause 41 of the listing agreement.

For NMDC LIMITED

Sd/-
(C.S. VERMA)
Chairman-cum-Managing Director

Place: New Delhi
Date : 10-Feb-2014

NMDC Limited

(A Government of India Enterprise)
Regd. Office: "Khanij Bhavan", 10-3-311/A, Castle Hills, Masab Tank, Hyderabad-500 028.

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The Great OIL HUNT

Cairn India's ambitious exploration project may make its oil block in Barmer the country's biggest in three years. By ANILESH S. MAHAJAN

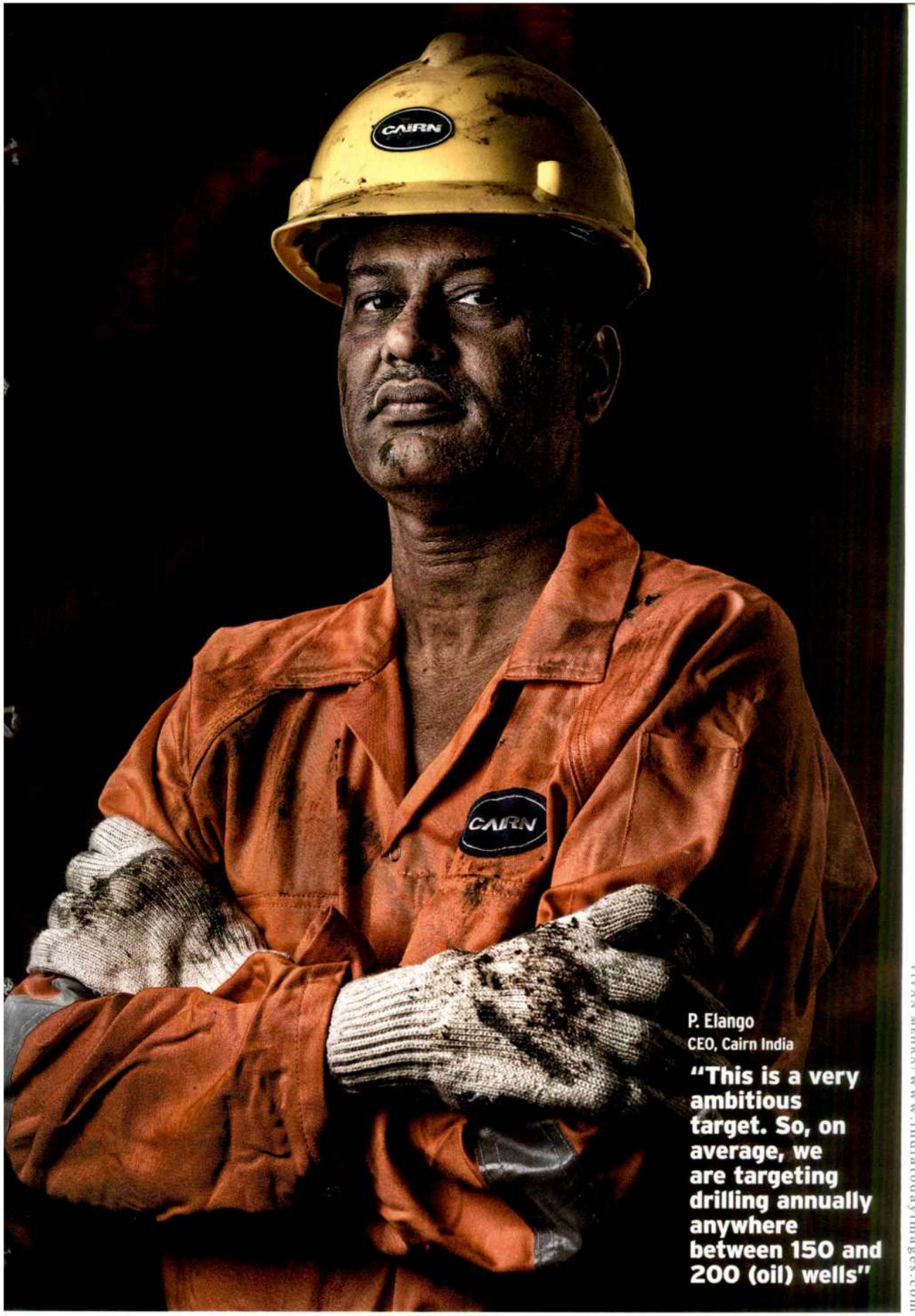
About four kilometres from the nearest human settlement, surrounded by undulating sand dunes as far as the eye could see, cooped up in an office that was little more than a portable cabin made of glass fibre, Harley Davidson still managed to look happy. So happy that he seemed to love even the sugary, powdery coffee the machine in his office squirted out.

The Canadian national, with the same name as the world's most iconic motorcycle, had just struck oil – for the seventh time since he came to Barmer, in Rajasthan's Thar Desert, a few months ago to drill for Cairn India.

"Whatever we are doing is bearing fruit," Davidson beamed, as he climbed on to the rig platform, big enough to accommodate about five fully-grown adults, and pointed excitedly to the monitors. To the naked eye, it was just a lot of green lines flickering against black background; to Davidson it was sheer poetry even if it gave details of the depth, heat and pressure that the tip of the rig's 25-metre arm had reached.

"We will strike oil there as well," he said, pointing to a corner of the monitor. He may have leapt in joy had he not been weighed down by his dungarees, helmet and industrial boots whose top surface was hard enough to kick a cast iron football and not feel pain.

The seven points where Davidson has drilled



P. Elango
CEO, Cairn India

"This is a very ambitious target. So, on average, we are targeting drilling annually anywhere between 150 and 200 (oil) wells"

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comprise one well for Cairn India, which has embarked on an exercise to drill 450 such wells by the middle of 2016, involving 17 rigs just like the one Davidson runs. If all goes to plan, the Barmer block, with its seven alluringly named fields – Mangala, Bhagyam, Aishwariya, Raageshwari, Shakti, Saras and Barmer Hill – will become bigger than Bombay High. Today, there are 11 rigs drilling at Barmer. Bombay High, with 584 wells, has been the one high point in oil-starved India since 1974.

"On average we are targeting drilling annually anywhere between 150 and 200 wells," says P. Elango, CEO of Cairn India. Anil Agarwal's London Stock Exchange-listed Vedanta Resources, a diversified metals and mining company, owns 59 per cent of Cairn India through its Indian subsidiary Sesa Sterlite.

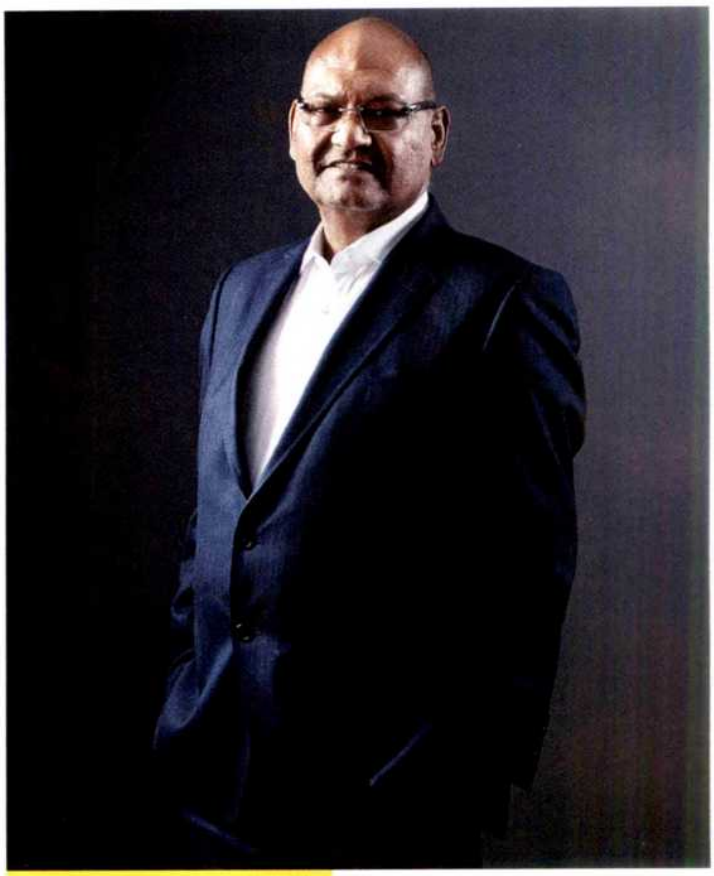
Cairn is already a success story, having drilled 201 wells in Barmer over the last 15 years. As much as 196,000 barrels of oil oozes out of this block every day, which could touch 300,000 barrels a day in three years, compared with 280,000 for Bombay High. Some analysts project peak production anywhere between 239,000 and 265,000 barrels but concede a higher output is also achievable. But that would pinch ONGC, the Bombay High operator, only to an extent, as it holds 30 per cent equity in Cairn-operated Barmer block.

Cairn has stakes in seven oil and gas blocks in the country but Rajasthan is its biggest bet. Out of Cairn's planned operational expenditure of $3 billion over the next couple of years, 80 per cent is likely to be spent on this block.

Agarwal's Saviour

Four years ago, Anil Agarwal, Chairman of Vedanta Group, might not have thought of entering the oil and gas business. Cairn Energy Plc was believed to be in talks with Reliance Industries to sell its share of business in Cairn India. Instead, Vedanta stepped in to buy a majority stake in August 2010. Today, more than half of the group's earning before interest, tax, depreciation and amortisation (EBITDA) comes from Cairn India. And 80 per cent of the revenues of Cairn comes from the Barmer block.

"[Cairn India] has the potential to be an example of India's success in the global oil market," Agarwal said in a column he wrote on February 12 (see *www.facebook.com/vedantaresources/timeline*).



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Anil Agarwal
Chairman, Vedanta Group

"Cairn India is a proven game changer and has the potential to be an example of India's success in the global oil market"

While Agarwal's other businesses grapple with uncertain headwinds, Cairn India continues to surge ahead. It is sitting on a cash pile of $3.5 billion which allows the company to scale up. Indeed, it is very unlikely that Cairn will be able to consume all its cash in Rajasthan alone, say analysts. "There (by farming in semi-developed blocks) is scope for Cairn to go beyond this block and prove to the world that it is not a one trick pony," says Vikash Jain, oil and gas analyst at CLSA.

It is perhaps also the reason why Agarwal had expressed interest in the Haldia Petrochemicals stake sale in 2013 and had also wanted to be a part of a refinery project in Rajasthan in 2012. He backed out at the last moment and now appears focused on the oil exploration business. "Our core area is exploration, and we would like to stick to this only," says Elango.

Cairn India Chief Financial Officer Sudhir Mathur believes that it is not the right time to invest much in

businesses where the company does not have the expertise. "At the current time (when interest rates are high) I do not mind keeping the money in bank deposits as well," he adds.

The Plan

To boost Barmer output, Cairn has got approval of the Petroleum Ministry in October for an integrated block development plan (IBDP). A new policy initiative by the ministry, it aims to enable companies to move oil and gas fields from the discovery to the production stage faster. An overarching IBDP replaces the earlier practice of the government approving capital spending only for discoveries that are proven to be commercially viable for production and allows operators to take prior approval for budgets for up to three years.

As part of this plan, Cairn got the approval to drill 450 wells, out of which 100 would be drilled to explore oil and 350 to develop the fields. "IBDP helps me in planning and bringing any new discovery into the production stage much faster. It cuts down roughly about 50 per cent of the lead time. Let's say, in the past, the time to bring the discovery to production was roughly about 36 months. It should help to get it to 18 to 24 months now," says Elango. Petroleum Ministry officials acknowledge that Elango pushed this policy and was subsequently supported by the rest of the industry. "IBDP will provide flexibility to Cairn to manage production at the Barmer block," says Somshankar Sinha, oil and gas analyst at Barclays' Hong Kong office.

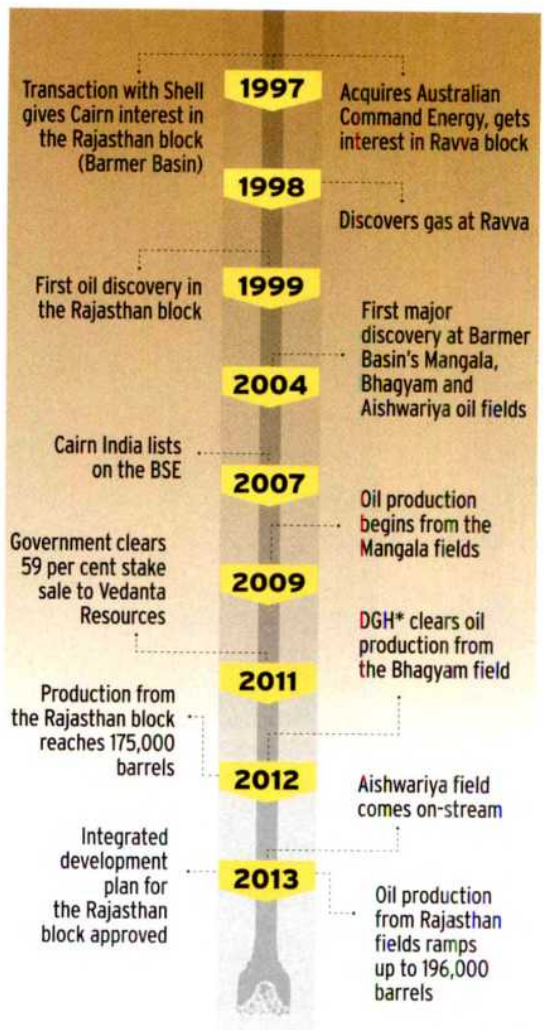
Elango has entrusted the operations at Barmer to Suniti Bhat, a young reservoir engineer, who executes the vision of the management. Bhat says his immediate plan is to capture oil from satellite fields and small discoveries across the block, especially in Mangala, Bhagyam and Aishwariya (MBA) oil fields. Satellite fields are smaller fields spread across the block, which might produce oil in smaller quantity but make exploration activities commercially viable.

Bhat is simultaneously working on the application of enhanced oil recovery (EOR) methods at Mangala field. It is the oldest field in Cairn's block and is producing roughly 151,000 barrels a day but in all probability has reached its peak output. EOR is a special technology to recover oil trapped in the grooves of rocks. This technology is generally used in ageing wells but at Mangala it has been used much earlier. "Out of 100 barrels in the reservoir, only 35 barrels are coming out, 65 are not. We are hoping to get most of it," says Bhat.

Cairn expects roughly 15 per cent more oil production from the EOR technique – an additional 22,500 barrels of crude daily. "Already Mangala has started, which will be followed by Bhagyam and Aishwariya," says Bhat. ICICI Securities in a December 13 report said it expects EOR to show dividends by 2015/16. Indeed, this will be the world's biggest EOR application, which will add an additional 90 million barrels over the economic life of the

Digging Deeper

Cairn India's journey so far



*Directorate General of Hydrocarbons

SURGING AHEAD...

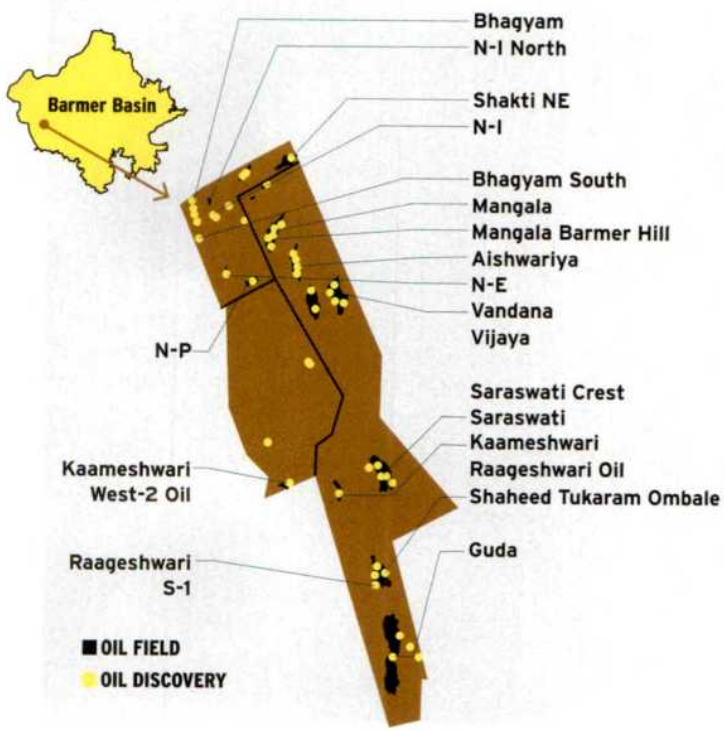
Cairn India has big plans on the anvil

- In the next five years, it plans to drill 1,000 new wells at Barmer deploying 17 rigs
- It aims at achieving 300,000 barrels a day at Barmer in the next three years. This would be more than the current production of 280, 000 barrels at Bombay High

... BUT OIL'S NOT WELL

- DGH has not taken a decision on extending its mining licence for key areas in the Barmer Basin
- Cairn India is yet to prove its worth in blocks other than Barmer

Discoveries in the Rajasthan Block



block. The second largest EOR project is in Oman, half the size of Cairn's operation. "I see good potential in the EOR method and it is likely to increase the production at Mangala and subsequently other fields," says CLSA's Jain.

Meanwhile, in the first week of December, Cairn recruited Mike Yeager, former global petroleum head of BHP Billiton. Yeager was responsible for the $20 billion conglomerate's entry into the US shale gas sector. Besides helping Elango and his team in ensuring the availability of rigs, his understanding of tight-oil recovery is also being utilised. Tight-oil is normally a light crude oil found in sedimentary rock formations. There are tight oil reserves at Barmer Hill, estimated at 165 million barrels of oil and oil equivalents and Cairn is targeting this reservoir. Moreover, with the New Exploration Licensing Policy (NELP) expected to allow companies an integrated approach to developing the blocks they win, Cairn will certainly look for options to develop shale prospects there in the future. "I am sure whenever we get the opportunity we would be ready," says Elango.

Getting ready may involve tackling certain roadblocks. The government has refused the request of Cairn to reallocate the relinquished areas in the Barmer Basin. According to contractual requirements, Cairn India relinquished areas where it had not found any oil or gas. But it now wants the government to return those areas – about 8,000 sq. km – to undertake fresh exploration activity. In the recently announced NELP rounds, bids have been invited for two blocks carved out of these relinquished areas.

The Petroleum Ministry is also silent on Agarwal's proposal to sell crude in the international market. Cairn is supplying crude to Indian refiners such as Reliance Industries and Essar Oil at roughly 15 per cent discount to Brent Crude prices. Ministry officials believe that a policy decision on this might be possible only after the general elections due by May. Currently, India exports only refined products and not crude oil.

There is another major headache for Agarwal. The government is sitting on Cairn's proposal for extension of the production sharing contract for Barmer and Ravva blocks. The original contract for Barmer expires in 2020. "Since we have started commercially producing gas from the Raageshwari Deep Gas field (in the Barmer Basin), we are hoping to get the extension of the block via automatic route," says Elango. The current rules of the petroleum ministry allow extension of the contract for the block automatically for 10 years if an operator finds gas. The prerogative to extend the contract is with the government in case of oil discoveries.

But the execution of its strategy for the Rajasthan block may well be the acid test for Cairn. "They will have to manage the dip in production at Mangala, Bhagyam will have to be ramped up and new satellite fields will have to begin production. This would be a complex exercise, something which they have not handled so far," says Barclays' Sinha. Clearly, it is a big challenge ahead for the company. ◆

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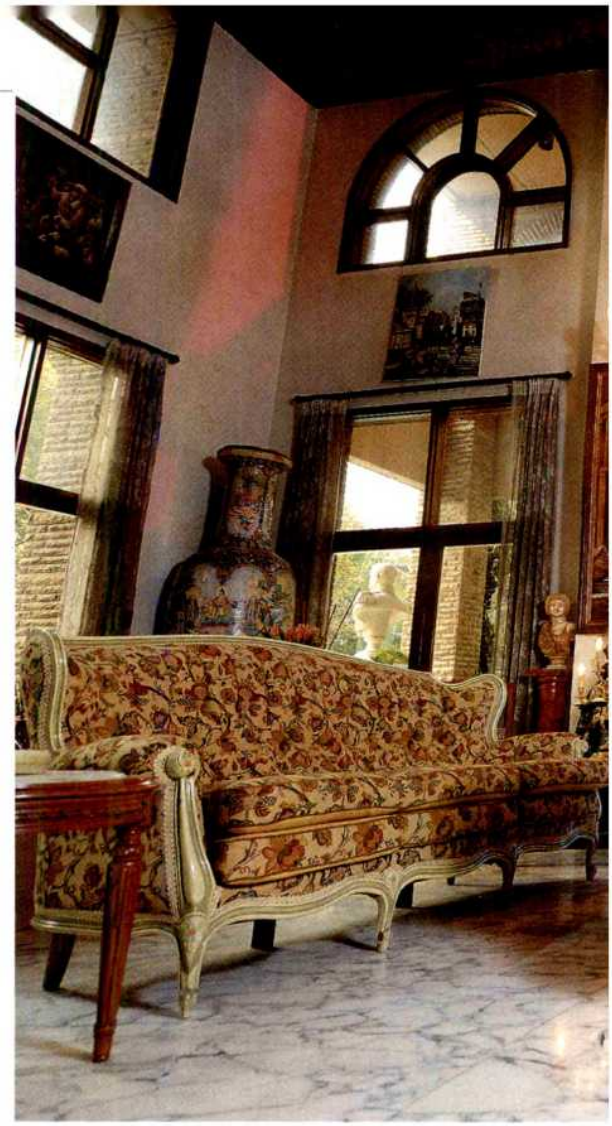

INDIA'S SUPER-RICH, INCLUDING THE LIKES OF AZIM PREMJI AND N.R. NARAYANA MURTHY, ARE USING FAMILY FIRMS AND VENTURE FUNDS TO GROW THEIR PERSONAL WEALTH.

By MANU KAUSHIK

Most times, Prakash Parthasarathy barely has a moment to breathe. The chief investment officer of PremjiInvest, a family office that handles Wipro Chairman Azim Premji's personal wealth, keeps jetting from one meeting to another in different corners of the country. Late in January, for instance, he hopped from a National Stock Exchange board meeting in Delhi to a meeting of portfolio company managers in Mumbai and then a gathering of financial service companies in Chennai – all within a few days. Parthasarathy says as an investor he has to be on top of things all the time. "We are always meeting people to calibrate ourselves – where we stand and when inflections are going to happen," he says.

Parthasarathy is clearly good at spotting those inflection points. In the seven years since he took over the reins of PremjiInvest, his investment corpus has grown from about ₹1,500 crore to ₹10,000 crore, making it the largest family office in Asia. PremjiInvest works like an asset management company – it invests in listed equity, private equity, structured and fixed income instruments and real estate. Listed equities – largely in financial services, and the consumer and technology sectors – account for nearly two-third of its corpus. The company does not make strategic investments. So far, PremjiInvest has put money into around 60 companies and made some 20 exits. Its average holding period is 54 months while exit multiples have been as high as five times the investment.

182,000
No. of dollar millionaires in India in 2013. Expected to grow to **302,000** by 2018
*Source: Credit Suisse Research Institute

So, what exactly is a family office? It is a firm that takes care of the day-to-day administration and management of the funds of a super wealthy family. The concept is relatively new in India with only about 50 family offices managing an estimated $15 billion today. But

SHEKHAR GHOSH/WWW.INDIATODAYIMAGES.COM

Mohit Burman, Director, Dabur India, has made some unconventional investments in sports

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with the number of dollar millionaires in the country increasing steadily, it is one of the more popular avenues India's super-rich use to grow their wealth. Many are also setting up venture and angel funds, building businesses from scratch and even investing money in venture funds run by other people. Most leading industrialists such as the Ambanis, the Burmans and the Mittals have already set up family offices or venture funds to manage their wealth. Experts say at least five to seven family offices and many more venture funds are set up in India each year. According to Credit Suisse estimates, India had 182,000 dollar millionaires in 2013 and the number is expected to rise to 302,000 by 2018.

Where do these companies put the super-rich's money? Traditionally, rich industrialists invested their personal wealth in low-risk asset classes such as government bonds, fixed deposits, realty and even gold. But in recent years, they have changed their approach: they now look for newer and riskier avenues that promise phenomenal returns. Much like private equity investors, they pick up stakes in companies with the idea of exiting later, but have a longer exit window. They invest in public limited companies as well as start-ups in sectors such as technology, e-commerce, health care, education and financial services, where it is easy to sell stakes. They avoid sectors such as infrastructure and capital goods which are more sensitive to the vagaries of the economy. "In mature markets, wealthy individuals have been investing in risky assets. In India, it's still a new concept. In future, we will see more wealthy individuals focusing on a high-risk, highreturns model," says Sasha Mirchandani, Co-founder of India's first angel investment group Mumbai Angels.

Prakash Diwan, Director at Altamount Capital, a firm that has handheld people setting up family offices, says these individuals ringfence all deals before investing in high-risk, high-return assets. "When they give equity, they make sure that they have a proper exit route either through the allotment of preferential shares or other instruments (such as convertible debentures)," he says.

Investment is all about hits and misses. But most of these investment companies have notched up more hits than misses despite their approach to risk. Take PremjiInvest. Some of its successful investments include Dish TV India, JustDial, FabIndia and Marico. PremjiInvest also has stakes in HDFC Bank and Federal Bank. One of its bad investments was Chennai-based retail chain Subhiksha Trading Services, which was shut down in 2009 due to severe debt problems and cash flow mismanagement. "We have our own success and failures. In economy-

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sensitive sectors, our assumptions have not panned out the way we wanted," says Parthasarathy.

Parthasarathy, an engineer with a gold medal from IIM-Bangalore, has seen many investment cycles over the years from the 1995 financial crisis to the dotcom bust in 2000. He was a research analyst in the US covering IT companies when he first got in touch with Wipro in 1995 and was advising Premji when Wipro was still in the process of becoming a large IT services firm. The years of experience have helped since he became the top boss of PremjiInvest in 2006 with a team of three which has grown to 30 today. He tapped his financial acumen for one of his more successful investments in Bata about six years ago. "Bata's management was changing the organisation, improving cost structure and expanding its market footprint. We got in at the right time. The investment is doing well for us now," he says.

Another successful investment was its bet on Bangalore-based cancer hospital chain HCG. B.S. Ajaikumar, Chairman, HCG, remembers a meeting with Azim Premji in 2007. The meeting was set up by V. Raja, former CEO of GE Healthcare India, to explore the possibility of Wipro GE Healthcare and HCG working together. In the middle of Ajaikumar's PowerPoint presentation, Premji stopped him and asked if he could invest in HCG. Ajaikumar, who was unprepared for this offer, merely grinned and moved on. But after the presentation, Premji asked again. Ajaikumar told Premji to send over his people and the deal was closed in April 2008. Since Premji's investment in HCG, its revenue has grown from ₹61 crore in 2008 to ₹500 crore this financial year.

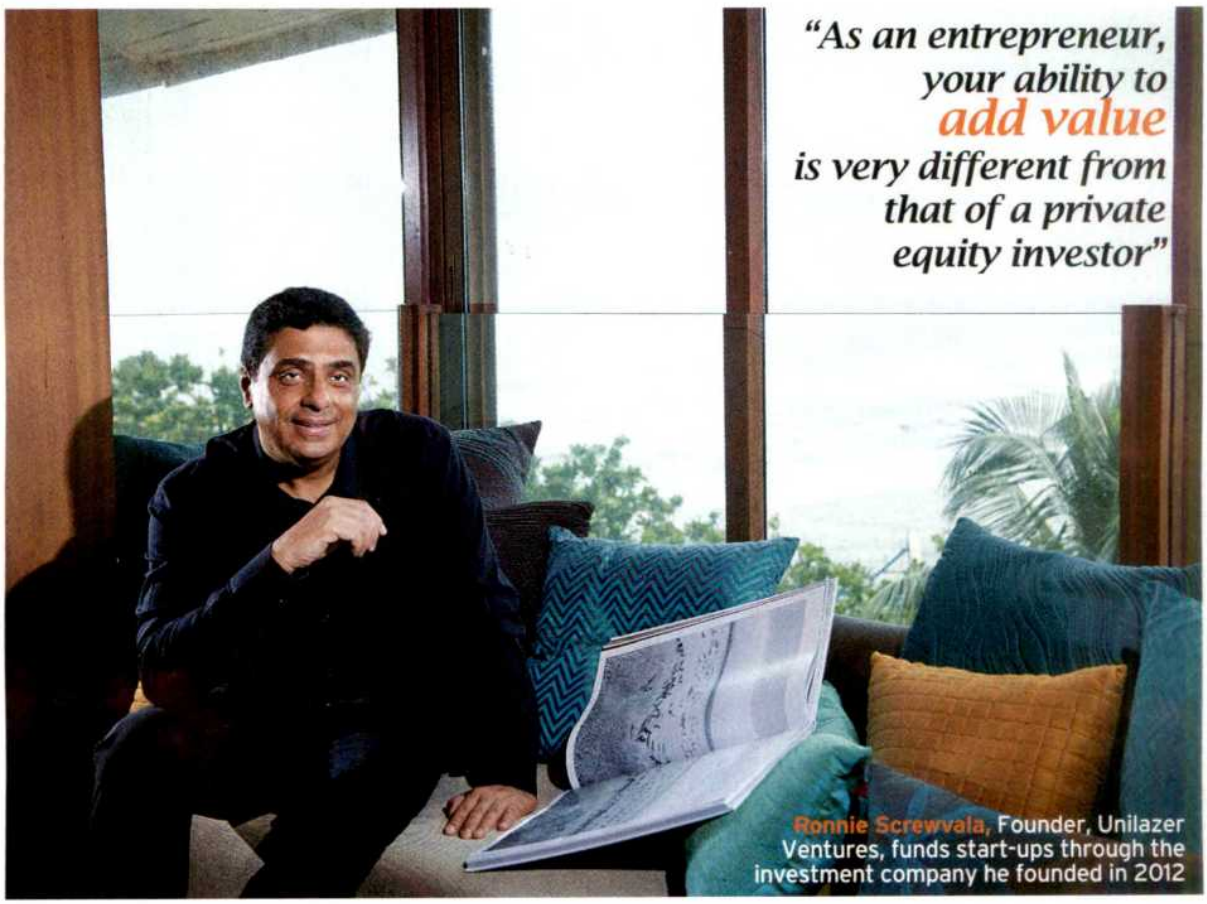
Over ₹10,000 cr
Size of fund managed by the family office of Azim Premji, PremjiInvest, the largest such fund in Asia

NRN and Catamaran

About two years before retiring from Infosys, its co-founder N.R. Narayana Murthy sold part of his stake to set up venture fund Catamaran Ventures. It started with angel investing but soon realised there were many angel funds already and turned to public-listed companies. Today, the $130-million Catamaran is cutting deals across sectors, making mezzanine investments, public market investments and investing in other angel funds.

Catamaran learnt the hard way. A few days into its existence, in March 2010, it invested in SKS Microfinance prior to its initial public offering (IPO). SKS Microfinance's IPO was successful but after the enacting of the Andhra Pradesh Microfinance Regulation Act, the entire microfinance sector was in trouble. SKS's valuation tanked, leaving a gaping hole in Catamaran's pocket.

Arjun Narayan, the Massachusetts Institute of Technology graduate who heads Catamaran, says the company has a list of negative and positive sectors. For example, it will not touch realty, heavy industry or infrastructure and prefers cross-border and consumer related business. "Barring rare exceptions, our family office will not engage in growth investing either directly or indirectly because we have had some bad experiences. Similarly, we do not subscribe to exotic wealth management products. We prefer to keep things simple," says Narayan.



"As an entrepreneur, your ability to add value is very different from that of a private equity investor"

Ronnie Screwvala, Founder, Unilazer Ventures, funds start-ups through the investment company he founded in 2012

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Catamaran has investments in some 20 companies directly and close to 100 indirectly through other angel funds where it acts like a limited partner. "We have invested in some promising young angel fund managers. There is probably one start-up a month in India that, in some part, we have funded," says Narayan.

One of Catamaran's favourites is Gurgaon-based Hector Beverages. It invested in the energy drink maker in two rounds. Narayan says the passion of its four promoters is impressive. And Catamaran's role goes beyond just a silent partner. Though unwilling to divulge details, Narayan remembers how he helped a closely-held mid-cap public company clarify its strategy. "We even crafted their investor presentation template. This is the type of work one traditionally does for private companies but our relationship with the CEO allowed us to do it for a listed company," says Narayan.

Investing in start-ups also excites Ranjan Pai, CEO and Managing Director of Manipal Education and Medical Group, who co-founded Aarin Capital with former Infosys director T.V. Mohandas Pai in 2012. Both the Pais dedicated their personal wealth – $40 million – to start Aarin, which funds health care, life sciences and technology-based start-ups. It has invested some $30 million so far in close to a dozen firms. Its largest investment is the $8-million funding of US-based Insightra Medical.

$22.9 billion. The size of the US angel investor market in 2012. Indian angel funding is tiny, in comparison

Ranjan Pai says one of the biggest problems with start-ups is that they don't pay attention to basics such as accounting norms, constituting boards or appointing independent directors. "We help them in compliance-related issues, operations and

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BET WE'VE MET

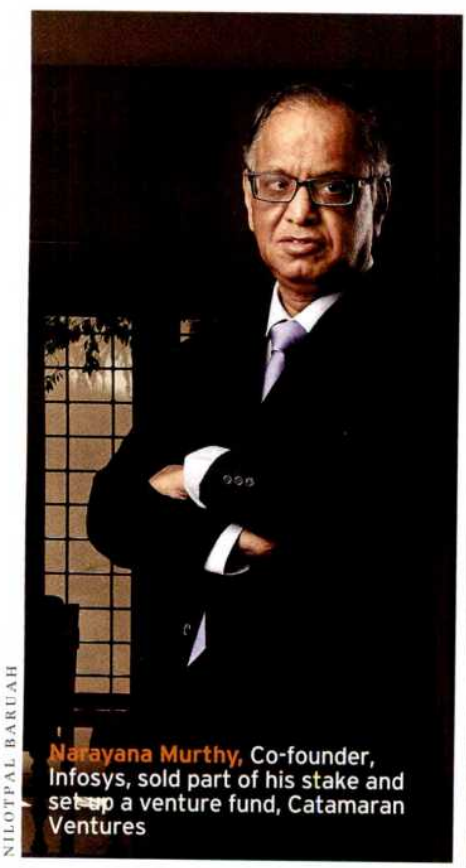
managing finances," he says.

The Burmans of Dabur

Some investments can be unconventional. Mohit Burman, a fifth-generation member of the Dabur Group, owns three sports league teams. He is co-owner of Kings XI Punjab, which participates in the IPL cricket league, owner of the Mumbai franchise of the Indian Hockey League and the Pune franchise of the Indian Badminton League. But Burman's affection for sports has nothing to do with financial gains. "Sports is not a business. If you put money in sports, assume that it's gone. It's something that I enjoy doing," he says.

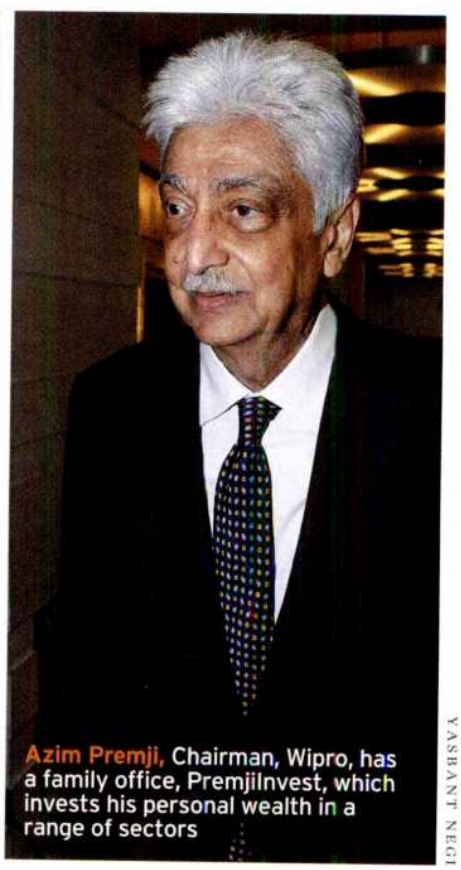
The Burmans have not set up a family company so far. But they began investing their proprietary money quite early, especially in financial services, both individually and together. In the 1990s, when the Indian economy was opening up, many foreign companies were looking to enter India and needed local partners with deep pockets. The Burman family saw the opportunity and tied up with the likes of ABN AMRO, Fidelity International and Aviva. Around the same time, it also bought stakes in some domestic companies such as beleaguered Punjab Tractors, Lord Krishna Bank and Vishal Mega Mart. "The idea was to leverage our connections and get into these businesses," says Mohit.

Over the years, the family has divested its stake in many of these ventures such as ABN AMRO, Lord Krishna Bank and Fidelity, but at the same time it continues to invest in new ones. The most recent investment was in the $40-million Asian Healthcare Fund where Anand Burman and his uncle, V.C. Burman, have put in money. Other family investments in recent years include Universal Sompo General Insurance, Espirito Santo, DMI Finance, Healthcare At Home and bitcoin exchange itBit. Punjab Tractors and Aviva remain their biggest investments. The family still owns a 74 per cent stake in Aviva India, but exited Punjab Tractors in 2007 with a hefty profit. Mohit says it's still too early to talk about returns in new investments. "In case of Punjab Tractors and Aviva, we entered at the bottom of the curve and therefore maximised our returns. In Aviva, it's already 12 years, we haven't exited yet. Aviva is profitable for us," says Mohit.



NILOTPAL BARUAH

Narayana Murthy, Co-founder, Infosys, sold part of his stake and set up a venture fund, Catamaran Ventures



YASHANT NEGI

Azim Premji, Chairman, Wipro, has a family office, Premjilnvest, which invests his personal wealth in a range of sectors

Analjit Singh and Ronnie Screwvala

India's super-rich also love the luxury sector. A trip to South Africa for the 2010 FIFA World Cup final changed the life of Max India Chairman Analjit Singh. He fell in love with the country and began visiting more frequently. During his visits, he developed an interest in wine and bought three vineyards in the Cape Town region with his personal money. Four months ago, he bought a substantial stake in a small winery, Mullineux Family Wines. He plans to build a resort and wine tourism projects on these farms. "I followed my nose," he says, laughing. "We are also evaluating the option of bringing some wines to India."

Media baron Ronnie Screwvala sold his 70 per cent stake in UTV Software Communications to US-based Walt Disney in 2011 for some ₹2,000 crore. Part of that money is

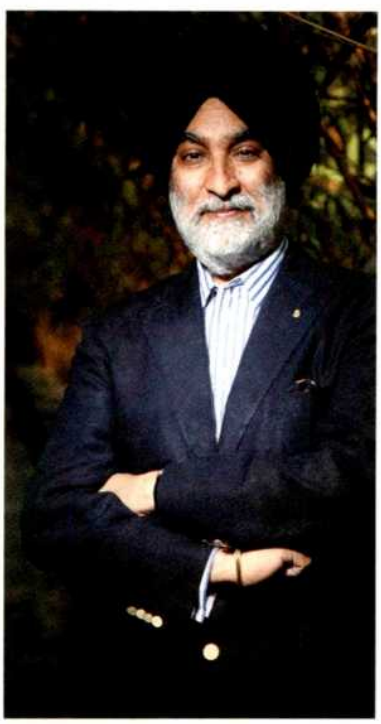
WHAT'S HOT, WHAT'S NOT WITH THE SUPER-RICH

WHAT'S HOT	WHAT'S NOT
Investing in public limited companies, start-ups and exotic wealth management products	Investing in real estate, gold, fixed deposits and other traditional asset classes
Building companies from scratch	Investing in lower-return, risk-free asset classes
Sectors such as technology, e-commerce, healthcare, education and financial services where it is easy to sell stakes	Sectors such as infrastructure and capital goods that are sensitive to the vagaries of the economy

now being used to fund start-ups through Unilazer Ventures, a company he founded in 2012. Unilazer focuses on three areas: creating brands, investing in companies in the consumption sector and increasing the market size in the sectors it enters. "I would like to restrict myself to two or three sectors but all will have a common theme, they will be consumer facing," he says.

Unilazer's portfolio has some 10 companies such as online lingerie retailer Zivame, housing finance provider Micro Housing Finance Corp and quick service restaurant InBetween. Unilazer picks up a 30 to 45 per cent stake so that it can work with entrepreneurs to scale up and help their branding efforts. "As an entrepreneur, your ability to add value is very different from that of a private equity investor. Some PE firms are into the business of growing the market share or top line. They are looking at a two-to-four-year horizon for unlocking value. We are trying to get the fundamentals right. Everything is not about numbers," says Screwvala.

Peyush Bansal, founder of online optical store lenskart.com, swears by Screwvala. In February last year, Unilazer and IDG Ventures invested ₹53 crore in Valyoo Technologies, the parent company of lenskart.com. Bansal says Screwvala taught him to channelise his energies better. "Earlier, we were focusing on everything – spectacles, sunglasses, watches and bags, but today we are putting 80 per cent of our resources behind spectacles," he says. Last year, lenskart.com was selling 50 to 100 spectacles a day; it is now up to 1,000 spectacles a day.



"I followed my nose. We are evaluating the option of bringing some wines to India"

Analjit Singh, Chairman, Max India

Ultimately, all family offices have one goal: to make more money. But unlike private equity investors, they are not in it for the short term. They have the luxury of time which gives them a tremendous edge. "Family offices are not forced to invest a certain amount in a fixed time period, so they can be flexible in terms of how much they invest per company, how much ownership they take and whether or not they require board seats and operating control," says Catamaran's Narayan. ◆

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Quenching Chennai's Thirst

EXECUTIVE SUMMARY: *Water, a politically sensitive commodity, has always been underpriced in India. This sector has bankrupted most state-run water utilities and made the private sector wary of getting into it – thereby leaving large parts of the country water-starved. But this state of affairs need not continue. This case study looks at how the Chennai Metropolitan Water Supply and Sewerage Board leveraged the city's coastal location, developing a model that not only enables it to get low-cost water but also encourages private-sector participation.*

By N. MADHAVAN

The water scarcity Chennai faced in 2003/04 was unprecedented in the city's 400-year history. Its four reservoirs went bone-dry as the monsoon failed for two consecutive years. The ground water level, too, fell sharply. Piped water supply was shut down and remained so for almost a year. The Chennai Metropolitan Water Supply and Sewerage Board (or Metro Water, as the city's water utility is popularly called) barely supplied 175 million litres on alternate days. At the time, the city's population of 4.5 million needed 600 million litres daily (MLD). Much of the water – around 100 MLD – had to be transported from aquifers 150 km away, on trains and

H.K. RAJASHEKAR/www.indiatodayimages.com

The bad old days: A file photo of Chennai residents filling water from a tanker in Mylapore. With two desalination plants augmenting the city's water supply, such scenes are a fading memory

trucks. The city's residents had to pay substantially to buy water from private suppliers, spending an estimated ₹50 crore a month.

The crisis pushed the state government, then led by Jayalalithaa (in her earlier stint as chief minister), to look for ways to drought-proof the city. The state government launched the New Veeranam project, which envisaged a supply of 180 MLD from the Veeranam tank, 225 km from Chennai. The tank is at the tail end of the Cauvery river system, and is fed by the southwest monsoon. The city's reservoirs depend on the northeast monsoon. But it still meant that all water sources – Veeranam, the city's reservoirs and the Telugu Ganga project (which made Krishna river water available) – remained dependent on the rains. This was a source of worry.

₹50 cr
The amount Chennai residents paid private contractors every month for water in 2003/04

The government began to look for a perennial source of water. The city's long coastline offered a solution. "Desalination opened up the possibility of having a perennial source of water," says B. Chandra Mohan, Managing Director at Metro Water. The state government decided to bet big on desalination.

But that threw up many challenges. Water, being a politically sensitive commodity, is always underpriced in India. Such pricing has driven the private sector away from water projects and left state-run

COASTAL CITIES MUST USE THE SEA

Water scarcity is a global issue which needs regional attention and management. For many coastal cities, desalination has been a key problem-solving technology. To tackle the impending water crisis, India too adopted desalination, albeit slowly. Unlike in industry, the growth of desalination in the municipal segment has been slow in India, mainly because most of the municipal corporations are unable to pool in the funds required for setting up large-capacity desalination plants.

Factors such as high subsidy for water and poor water metering systems have resulted in sub-optimal revenue generation. But with support from the Jawaharlal Nehru National Urban Renewal Mission, which aims at improving infrastructure in Indian cities, municipal corporations can overcome financial constraints.

India has a vast coastline. There are about 20 coastal cities with varied potential for desalination. Key cities for desalination are Mumbai, Chennai, Kolkata, Surat, Visakhapatnam and Kochi. Around 94 per cent of the total water requirement of coastal cities in the country is from these six cities. The combined water requirement in these 20 cities stood at 9,059 MLD in 2013 and is expected to grow at a compound annual rate of 7.6 per cent to reach 23,607 MLD in 2026. One can expect heavily populated cities such as Mumbai, Chennai, Kolkata, Surat, and Vizag to turn to desalination plants to narrow the supply-demand gap. Fast penetration of desalination plants requires strong political will in addition to promoting private-sector participation, as seen in the desalination projects executed in Chennai.

If the top coastal cities decide to build desalination plants to meet 20 per cent of drinking water needs, then by 2026, Mumbai will need an installed capacity of 2,500 MLD, followed by Kolkata with 750 MLD and Chennai with 400 MLD. Chennai has already begun. The other municipal corporations, too, must start planning the means to match supply and demand. For this to happen, the road definitely goes through desalination.

"Fast penetration of desalination plants requires strong political will and private-sector participation"

SASIDHAR CHIDANAMARRI,
Industry Manager, Environment & Building Technologies Practice, Frost & Sullivan

utilities deep in the red. Not surprisingly, large parts of the country are water-starved. As data placed in Parliament by the Urban Development Ministry in September 2013 showed, 22 cities in the country have water shortages of 30 per cent or more.

Desalinating water is costly, and involves advanced technology, so private-sector participation in Chennai was critical. But Metro Water was not exactly in the pink of financial health.

Still, it went ahead. With no experience in desalination, it opted in 2005 for a build, own, operate and transfer (BOOT) model of private-sector participation to set up the first desalination facility. It entered into an agreement with IVRCL Infrastructure & Projects Ltd, which had environmental technology company Befesa Agua of Spain as a partner, to set up a 100 MLD desalination plant at Minjur, a suburb north of Chennai. In turn, it would pay IVRCL 4.8 paise per litre of water supplied for 25 years. The project began supplying water from July 2010.

Even as the Minjur project was being developed, Metro Water began studying alternative business models of desalination that would not only reduce the cost of the desalinated water, but also give it a say in the choice of technology, to ensure cost efficiency. It also wanted to use its learnings from Minjur for future projects. A BOOT project offered no such scope.

After months of research, Metro Water finally arrived at a hybrid model. "We decided to marry the advantages of the BOOT and EPC (engineering, procurement, construction) models," says Metro Water's Chandra Mohan. The new model allowed private-sector participation, and also leveraged the government's strength in terms of capital mobilisation and risk management. The government would pay for and own the plant, but construction and operations would be in private-sector hands. For the 100 MLD desalination plant the Metro Water planned at Nemmeli – south of Chennai, en route to the famous Mahabalipuram temple – it zeroed in on this model.

"The cost of capital and the associated risks [as bankrupt state utilities are the major buyers] are big elements," says M.S. Srinivasan, Senior Vice President, VA Tech Wabag, a Chennai-based water treatment company. "They add up to two paise per litre of water, and push the end price of water to around five paise. This model took these costs out of the equation."

Metro Water used money from the ₹1,000-crore grant that Finance Minister P. Chidambaram had allocated to solve Chennai's

INNOVATIVE APPROACH

The model Chennai Metropolitan Water Supply and Sewerage Board developed overcame the city's water shortage

Reduced cost of desalinated water

Encouraged private-sector participation

Worked towards frugality and energy efficiency in desalination projects

While setting up desalination plants, married the advantages of the BOOT and EPC models

drinking water problem in the 2005 budget, to fund the 100 MLD Nemmeli desalination plant.

To keep costs low, Metro Water took the bidding route right from the detailed project report stage. In August 2007, Mecon Ltd, a public-sector undertaking, was awarded the contract to draw up a detailed site-specific project report. Unlike most other projects, Metro Water also asked Mecon to do a detailed engineering assessment of the project. This meant that finer details of the project, such as the choice of technology, machinery and plant design, had to be firmed up early on.

Advanced Integrated Membrane Technology was chosen for the Nemmeli project. Not only was it five per cent cheaper in terms of capital costs, but it also had relatively low running costs and consumed 20 per cent less power than rival technologies (energy accounts for 65 per cent of desalination costs). It also consumed fewer chemicals (and hence was more environment-friendly) and required less land. The Nemmeli facility took up just 20 acres of land compared to Minjur's 60 acres. (IVRCL's Minjur plant uses conventional filtration systems.)

To keep costs low, non-proprietary equipment

SUPPLYING MORE IS NOT ENOUGH

The focus of all water utilities and state governments while addressing the gap between demand and supply, has been to address the supply side of the equation through new capacity addition. This brings in the requirement for new capital investments and a consequent increase in the overall cost of supply.

There are certain issues that are not being prioritised by the water managers in the country. The first is of Non-Revenue Water (NRW), a euphemism for water lost through leaks in the distribution network. Any new supply being pumped into a leaking distribution system will have its impact limited by this problem. NRW is reported to be more than 40 per cent in most cities in India. The second issue is that supply is limited to only a few hours in the day. This leads to the tendency of consumers storing more water than they need, and emptying the stored water the next day when fresh supply commences. This leads to inflated consumption. Consequently, 24x7 water supply systems lead to significant reduction in water consumption.

The third issue is building awareness about water conservation. Awareness building has to be integrated in the school curriculum and supplemented by other media efforts, so that the coming generation is more sensitive to water wastage. Finally, the most difficult and politically sensitive issue is of 100 per cent metering and right pricing of water. The tariffs and metering also contribute to water conservation in a big way. The focus on improving water distribution network has yielded wonderful results in many cities across South and Southeast Asia, such as Manila, Phnom Penh and some cities in Bangladesh (where a beginning has been made).

Chennai seems to have placed its bet on desalination towards addressing the supply side of the equation. It now needs to also focus on the demand side of the equation by addressing the issues mentioned earlier. It may not need the new plants in the future!

"Chennai has dealt with the supply side of the water equation. It now needs to also focus on the demand side"

RANEN BANERJEE,
Executive Director, PwC, India

was preferred. Metro Water ensured a pre-treatment process was in place. As the Bay of Bengal is a rough sea, a lot of dirt enters the system through the intake pipes. The Minjur plant had faced enormous challenges initially due to this.

Once the project report and detailed engineering plans were in place, EPC tenders were invited in January 2009. Bidders were given the report and drawings, and asked to quote a price to build the plant. "Metro Water put a lid on the choice of technology, design, machinery and got EPC contractors to offer the best quote," says Srinivasan of VA Tech Wabag. "In the normal course, contractors would have given a quotation using different technologies, and Metro Water would be comparing apples and oranges."

Simultaneously, Metro Water invited seven-year operation and maintenance (O&M) bids. This process factored in energy efficiency by fixing energy consumption. "Median energy consumption parameters were arrived at. If the O&M operator exceeds them, he is penalised," says Chandra Mohan. "This way we ensured that bidders did not quote low prices for the EPC part and recoup them through O&M." Six of seven bidders qualified, and VA Tech Wabag in collaboration with IDE Technologies, an Israeli consortium, bagged the contract in December 2009. To ensure that the EPC contractor adheres to the design, Mecon, which drew up a detailed project report, was appointed as project management consultant.

Work on the Nemmeli plant started in April 2010. The plant reached full capacity in December 2013. It cost ₹533 crore to build. Today, water from Nemmeli costs just two paise per litre. "It has cut the cost to a level that is politically palatable. It offers tremendous scope for replication across the country," says Srinivasan. Experts say the execution of the project offers interesting lessons.

831
million litres daily
Amount of water supplied to Chennai residents by Metro Water

Water shortage returned to Chennai this year, after a poor monsoon last year. Storage in the reservoirs is low, and the groundwater level is falling. But with two desalination plants producing 200 MLD, Metro Water has kept up the city's supply at 831 MLD. Desalination accounts for a quarter of the city's water supply.

As a follow-up to Nemmeli's success, Chief Minister Jayalalithaa has announced two more large desalination plants for the city, of 150 and 400 MLD capacity, based on the Nemmeli model. These are expected to be up and running by 2018, accounting for 70 per cent of Chennai's water needs and making the city drought-proof for the first time in its history. ◆

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What do you think of Metro Water's innovative model in finding a solution to Chennai's water problem? Post your comments at businesstoday.in/casestudy-chennaiwater. The best response will be published in the magazine and will also win a copy of a Harvard Business School Press pocket mentor. Previous case studies are at www.businesstoday.in/casestudy.

BEST OF THE LOT

BT **receives many responses to its case studies. Below is the best on on Daikin air-conditioners (Dec 22, 2013)**

Deepak George, Student, Indian Institute of Management, Kozhikode

*Some key factors lie behind Daikin's success. **Strategy:** Understanding the Indian AC market and the segment that generates the maximum revenue, and repositioning the Daikin brand accordingly from a premium category to a low-cost category. **Tactic 1:** Achieving operational excellence by eliminating costs in the value chain to sustain low-cost product strategy. **Tactic 2:** Achieving further growth by widening product portfolio, distribution network and focusing on customer service. Daikin understood that the real market for ACs in India is mainly in the residential segment, which is sensitive to price, and repositioned its brand from a high-end one to a low-cost one. Business cannot succeed by slashing prices alone; the paradigm shift in brand should make financial sense, and Daikin used local sourcing instead of importing materials to cut nearly 45 per cent of its costs. It also used strategic location near raw material suppliers and proximity to the largest market (Delhi) to reduce logistics costs. Daikin further increased its growth by having a wide product portfolio, entering Tier 1 and Tier 2 cities by increasing the distribution network, and improving customer service. Existing dealers were encouraged to venture into smaller cities, thus making dealers partners in Daikin's growth. But Daikin has to continually reduce costs to remain competitive. Differentiation can be through innovative service to have a competitive edge against the likes of Samsung and LG, since product differentiation may be difficult in this industry.*

Deepak George wins a Harvard Business School pocket mentor

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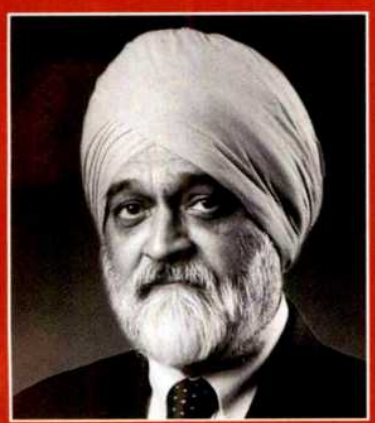
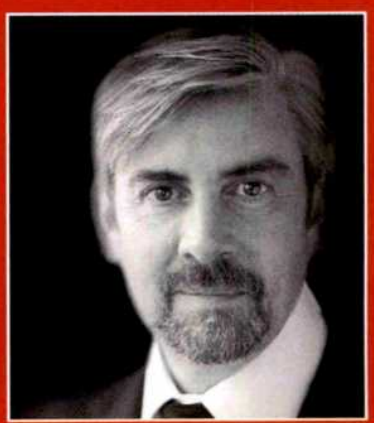
IDEATE



Montek Singh Ahluwalia
THE PLANMAN



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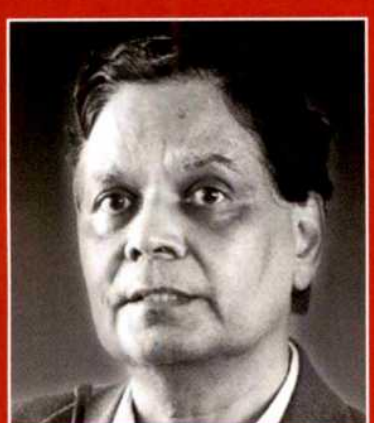
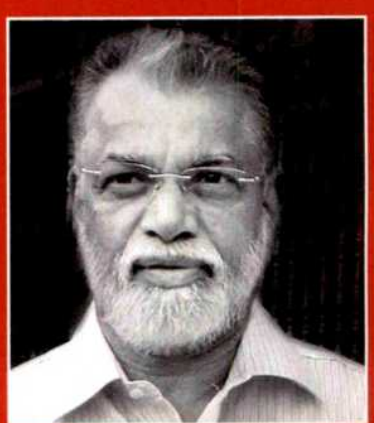
Robot Master



Arvind Panagariya
GROWTH KING



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MONEY

LOWERING RISK
OPTIONS ARE CONTRACTS THAT GIVE YOU THE RIGHT TO BUY OR SELL THE STOCK AT A LATER DATE, ALLOWING YOU TO USE LEVERAGE

Choosing the Right Option

What options are all about, and how investors can use them to add value to their portfolios.

By SHOAIB ZAMAN

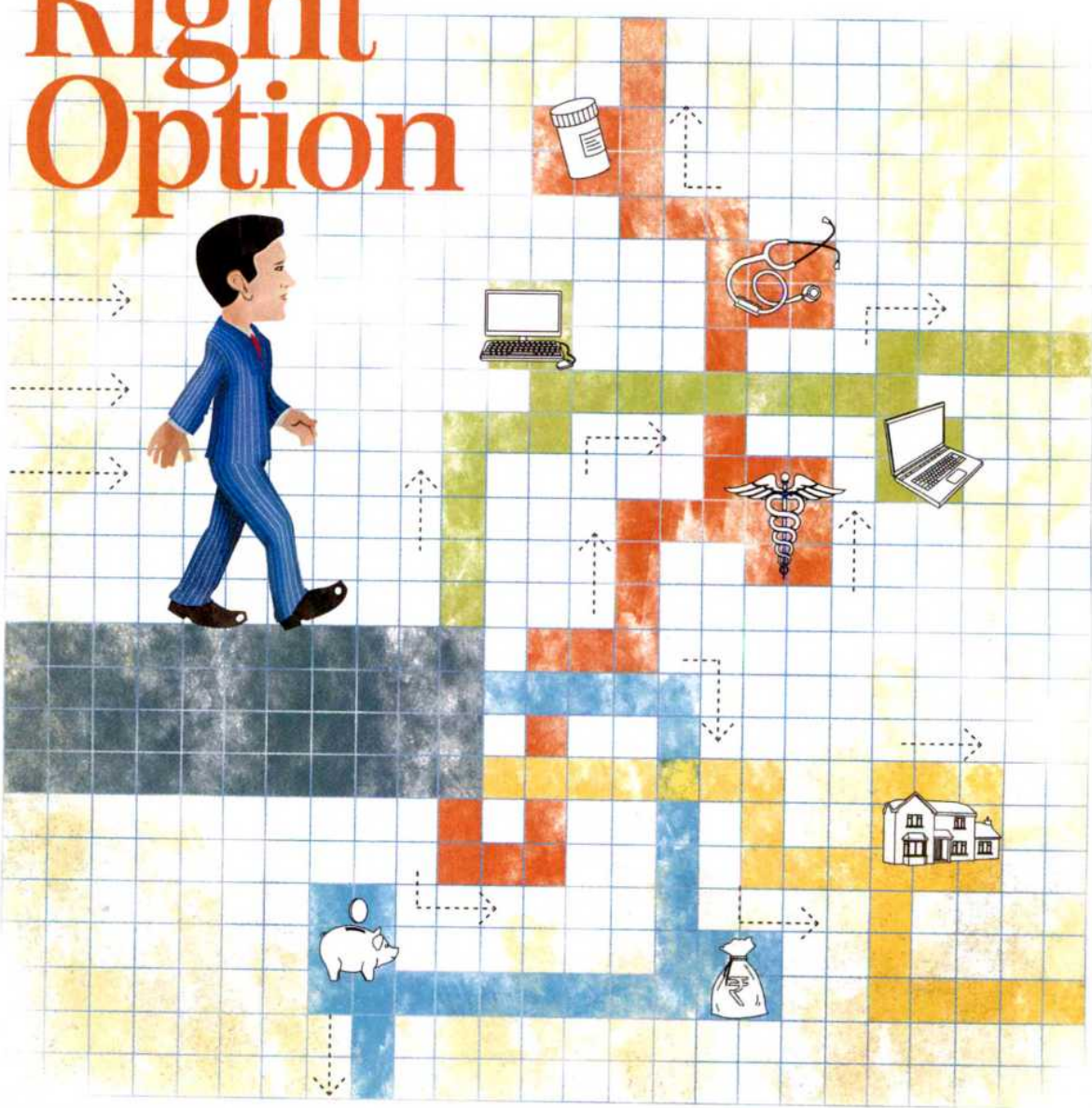


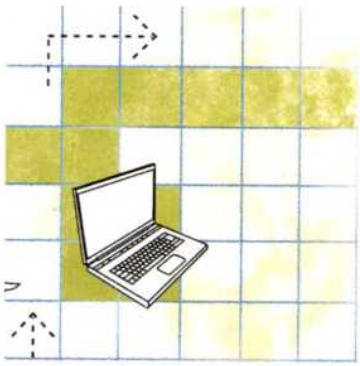
ILLUSTRATION BY RAJ VERMA

Options is a segment of financial instrument called derivatives. It's a contract that gives its buyer the choice of executing or not executing the deal. The seller, also called the under- writer, has the corresponding obligation. The buyer of options pays a fee to get the privilege of deciding on implementing the contract.

Here's how it works. Suppose you strike a deal to buy a house for ₹50 lakh, but need six months to raise the money. So, you request the owner for more time. As the owner has to wait more for money, to make the deal fair, you pay him a fee, say, ₹5 lakh, for getting the option of buying the house within six months for ₹50 lakh. In the next six months, two situations may arise – the government announces that it will connect the locality with a metro line, while a builder says it will build a premium shopping mall nearby. This pushes up the value of the house to ₹75 lakh. Since the owner has agreed to sell the property for ₹50 lakh, all you need to do is buy the house, making a profit of ₹25 lakh within three months.

In the second scenario, you find out after two months that the property has other claimants, who are fighting over its title in a court. This means the house is worthless for you. In such a situation, instead of ₹50 lakh, you lose just the ₹5 lakh that you had paid to get the right to exercise the option to buy the house.

Since you bought the option, you had the right, but not the obligation, to buy the house. In the second scenario, you can let the expiry date pass, at which point the option will become worthless. Your loss is just the premium paid for buying the option. The other point to understand is that an option is merely a contract dealing with an asset. This is why options are called derivatives (deriving value from the underlying asset). It is used mostly in stocks and commodities.



GRASP THE JARGON

Some common terms used

STRIKE PRICE

The price at which an underlying stock can be bought or sold is called the strike price. This is the level a stock price must go above (for calls) or below (for puts) before a position can be exercised for a profit.

LISTED OPTION

These have fixed strike prices and expiry dates and are traded on the NSE and BSE.

IN THE MONEY

Call option – if the price is above the strike price. put option – price is below the strike price.

INTRINSIC VALUE

The amount by which an option is in-the-money.

PREMIUM

The total cost (the price) of an option is called the premium. It factors in stock price, strike price, time remaining until expiration (time value) and volatility.

CALLS AND PUTS

There are two types of options – call and put. A call option gives the buyer the right to buy the asset at a predetermined price before or on maturity date. When investors buy call options, they expect that the underlying stock/index will rise by the time the contract expires.

A put option gives the buyer the right to sell the asset at a predeter- mined price before or on maturity. Investors use this option when they expect the stock/index to fall by the expiry period.

SHOULD YOU USE OPTIONS?

Kiran Kumar Kavikondala, Director, WealthRays, says: "Most investors are scared of using options due to lack of awareness about the instrument and ways it. Some common terms that one must know in the options market can be used." He says investors and traders should understand the terminology and ways options (both call & put) can be used to hedge investments and make money. "Time decay applies to most options. In this, as the contract nears expiry, the premium start falling," says Kavikondala.

Sahaj Agrawal, Deputy Vice President, Derivatives Research, Kotak Securities, says: "In the Indian context, index options account for most of the activity in the options trading segment." Thus, investors should stick to index options, he says.

BENEFITS OF OPTIONS

Hedging: Options help investors manage risk.

Leverage: Options allow investors/traders to use leverage, as the amount of investment required is considerably lower. They enable investors to take high exposure by paying a small premium.

Risk-reward payoff: Options provide an opportunity for unlimited upside with limited downside (risk of losing premium).

Lower investment: Options allow taking of a large position with a small investment. Flexibility of strategy - Options allow investors/traders to create unique strategies to take advantage of different market characteristics such as volatility and time decay. They can be used in a wide variety of strategies to profit from the ever-fluctuating market.

PITFALLS OF OPTIONS

Risk in short selling: Selling options attracts margins similar to futures contracts, increasing the investment and risk. One should not venture into short-selling options until and unless one is aware of the risks involved. **Lower liquidity**: Options in many individual stocks don't have much volume. The fact that each covered stock will have options trading at different strike prices and expiry dates means there is a strong chance that the option you are trading will have low volumes unless it is very popular.

Higher spreads: Options have higher spreads due to lack of liquidity. This means more indirect costs because you will be giving up the spread when you trade.

Brokerage costs: Option trades generally cost more in terms of the brokerage charged per lot. This brokerage fee may be higher for spreads where you have to pay commissions for both sides of the spread.

Complicated: Options are complicated for beginners. Most beginners, and even some advanced investors, think they understand them when they don't. In case of unfavourable market movement, the risk to capital is high. Options are affected by various factors and, hence, the risk matrix is multi- dimensional.

Time Decay: You lose the time value of options as you hold them. There are no exceptions to this rule. Time decay in options is the ratio of the change in price to the decrease in time to maturity. As an option approaches its expiry date without being in the money, its time value declines because the probability of that option being profitable keeps falling as time passes.

PARTICIPANTS

There are four types of players in the options market depending upon the position they take

BUYERS OF CALLS
Called holders of call options

SELLERS OF CALLS
Called writers of call options

BUYERS OF PUTS
Called holders of put options

SELLERS OF PUTS
Called writers of call options

Buyers or holders are said to have long positions. Sellers or underwriters are said to have short positions

Non-availability: Although options are available on a good number of stocks, this still limits the number of possibilities that are available to you.

Risk: Selling options in akin to assuming the position of an insurance company, whose risk is unlimited but gain is limited to the premium earned.

SOME BASIC STRATEGIES

"The bull call spread and the bull put spread are the most common strategies if the investor's view of the market or stock is moderately bullish. Mildly bullish trading strategies make money as long as the underlying stock does not fall by the option's expiration date. These strategies may provide a small downside protection as well. Writing out-of-money covered calls is a good example of such a strategy," says Kavikondala.

Out-of-money is a call option with a strike price that is higher than asset's market price or a put option with a strike price that is less than the asset's market price.

Agrawal says, "The simplest strategies involve buying a call and buying a put option. Buy call is a bullish strategy and adopted when the trader expects an upmove. Similarly, buy put is a bearish strategy and is executed when the outlook is negative."

General elections in India will be held in less than six months. Keeping this in mind, how can individuals use options to protect their portfolio?

Ankit Swaika, head, Investment Advisory & Research, Religare Private Wealth, says, "To protect the portfolio, an investor can buy a put option for six months or 12 months. This can be their simplest strategy to hedge the portfolio. Evolved clients can become a call underwriter."

Since an option is a specialised product, he says the best strategy is to take help from an expert in the derivatives market or a technical derivatives expert. "Investors can also check for structured products or derivative investments provided by alternative investment funds and portfolio management services," says Swaika. There are many different strategies for trading options, and it is a field that is still evolving. Therefore, it's best to take the help from an expert before investing. ◆

Courtesy: *Money Today*

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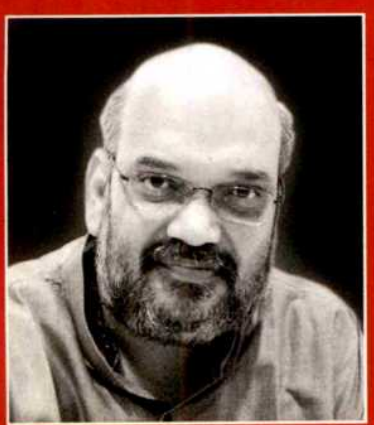
DEBATE



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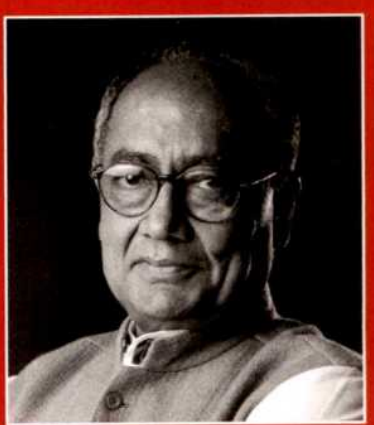
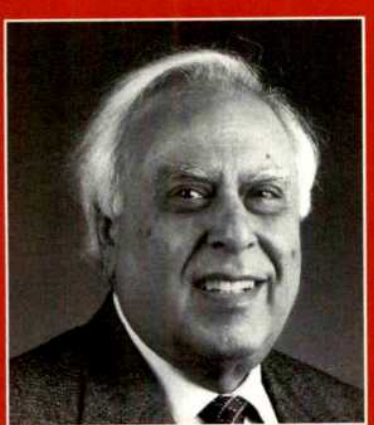
Poll Star



Digvijaya Singh
Strategy Tsar



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Argumentative Politician

Vasundhara Raje
Elected Queen

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LAST BUT NOT LEAST

BOOKS 127 PEOPLEBUSINESS 132 LEADERSPEAK 136

IGNITING ENTERPRISE

All ears: A participant discussing entrepreneurial skills at a meeting organised in the course of the Jagriti Yatra by Tarumitra, a student-run organisation in Patna

PHOTOGRAPHS BY ARPITA MUKHERJEE

Arpita Mukherjee accompanies the Jagriti Yatra, an annual train journey aimed at instilling the spirit of entrepreneurship in young people

Shashank Mani Tripathi and his team have been doing this every year for six years now. They take bright, young people from different parts of India on a 15-day, 8,000-km-long train journey, starting around Christmas and ending early January. Tripathi, whose day job is as an executive director of consulting at PricewaterhouseCoopers in Mumbai, is also Non-Executive Chairman of Jagriti Sewa Sansthan (JSS), and the journey, called Jagriti Yatra, is an attempt to instill the spirit of entrepreneurship in young people. This time around, the yatra, with 400-plus youngsters on board, began on December 24, 2013. Along with Tripathi and another guest, Satyam Darmora, who works with the Michael & Susan Dell Foundation, I boarded the 18-coach train too, at Vizianagaram, Andhra Pradesh, on December 31.

The yatra is all about the ideas and thoughts that coalesce when young people travel together. The organisers hope the meetings held in the course of the yatra will instill, in the hearts of at least some of those who attend them, a desire to change the way things are.

"People should want to become job creators, not jobseekers," says Rewati Prabhu, a board member of the JSS. But she knows change will not come about immediately. However, there are people who have already been influenced. After the 2012 yatra, JSS came out with an impact report which noted that 212 enterprises had come up after the yatras over the years.

The roots of Jagriti Yatra go back to 1997 when Tripathi, then based in London, decided to organise the first of his yatras to get a sense of how the country had changed in the 50 years since Independence. Called 'Azad Bharat Rail Yatra', it saw 200 like-minded people travelling by train for 22 days. Tripathi then went back to London and wrote a book about his experiences, *India: A Journey Through a Healing Civilization*. It created quite a stir, says Tripathi, adding that his friends suggested he make the yatra a regular activity.

So, after the launch of his book in 2007, Tripathi started working along with his associates Prabhu and Raj Krishnamurthy to organise the first yatra. (Both are now board members of JSS.) In 2008, the first of the Jagriti Yatras was finally held. Since then the annual event has grown increasingly popular, with the final set of yatris being chosen by the JSS from among a flood of applicants.

But it hasn't been smooth sailing, what with one organisational hiccup after another. "Sometimes I think, 'Why am I doing all this when I can stay comfortably at home with my family?' But when I meet the yatris and see their spirit, I know I am on the right track," says Tripathi.

The journey begins and ends in Mumbai, with 11 stops along the ways – at Hubli, Bangalore, Madurai, Chennai, Visakhapatnam, Bhubaneswar, Patna, Deoria (Uttar Pradesh), Delhi, Tilonia (Rajasthan) and Ahmedabad. (This year

Changing lives: The Jagriti Yatra train on its 15-day journey across India at Bhubaneswar station

Huddle time: Discussions ahead of a presentation at 'Biz Gyan Tree' in Deoria, UP

Charting out: A business plan presented at the Deoria meet

"When I meet the yatris and see their spirit, I know I am on the right track"

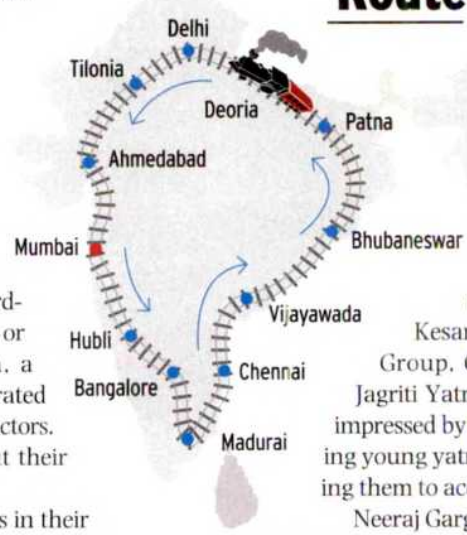
Shashank Mani Tripathi, Non-Executive Chairman, Jagriti Sewa Sansthan

the train skipped Visakhapatnam, stopping instead at Vijayawada.) At each stop the yatris meet entrepreneurial 'role models' working in one or more of seven specific fields: agriculture, education, energy, health care, manufacturing, water and sanitation, and art, culture or sports. They visit specific institutions – such as Aravind Eye Care System in Madurai, which runs the chain of Aravind Hospitals, a model of affordable yet high quality health-care, or the Barefoot College in Tilonia, a 42-year-old NGO engaged in integrated rural development across various sectors. The role models mostly talk about their entrepreneurial journeys.

But some yatris are role models in their own right too. Take Sangeeta Devi, who was part of the yatra I accompanied. She has set up two cooperatives of 20 women each to make jute products in her village in Jamoi district, Bihar. "I now want to start making *bindis* as well," she says. Or take Ramesh Ballid, from Kotigudda village in Raichur district, Karnataka. Having learnt English on his own, he now teaches the language to young men in his village to make them more employable. Govind B. Moghekar from Kolhapur, Maharashtra, holds five patents and has now launched a product which helps the blind communicate in different languages.

Deoria, in eastern UP, from where Tripathi hails, was a special, overnight halt. Here, as part of an exercise called 'Biz Gyan Tree', the yatris were divided into around 44 groups of nine to 10 people each. The groups were given a few hours to visit villages nearby and then had to make a strategy presentation, detailing an actual problem in any of the villages visited and offering solutions. This exercise will extend to follow-up events in February and March. Twenty-three of the 44 teams which made presentations at Deoria will come back to make more detailed ones. The award-winning presentations will all get a prize money of ₹1 lakh each.

The Route



A host of corporate biggies support the Jagriti Yatra, among them Google, Coca-Cola, Rolls-Royce, Idea and National Insurance Co Ltd. "Jagriti provided a unique experience focused on enterprise-led development in smaller towns and rural India," says Adhi Kesarla, Principal, Business Development Group, Google, which has partnered with Jagriti Yatra for the past three years. "We were impressed by Jagriti's ambitious goal of transforming young yatris into social entrepreneurs by exposing them to acclaimed role models."

Neeraj Garg, Vice President, Coca-Cola India and South West Asia, is equally enthusiastic. "As partners in this endeavour, we aim at igniting the entrepreneurial spirit among youth and instilling in them the core values and passion for this field." Apart from sponsorships, the yatra is also funded through grants and fees paid by the participants. While about 80 per cent of the participants are sponsored either fully or partly, depending on their economic conditions, the rest have to pay the full amount.

The yatra has given birth to numerous innovative ideas over the years, but Tripathi admits few of them have been implemented. Darmora, from the Michael & Susan Dell Foundation, wished the organisers would take the ideas to their logical conclusion. "Make the ideas into more concrete solutions and not only help these entrepreneurs with the initial funding, but also connect them to mentorship networks," he says.

And as the yatris move on to bigger journeys after completing this one, Jagriti Yatra is also on a journey of learning on its own. ◆

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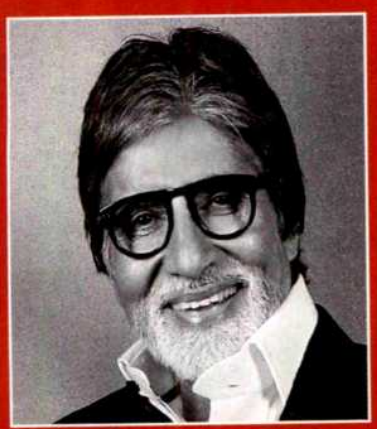
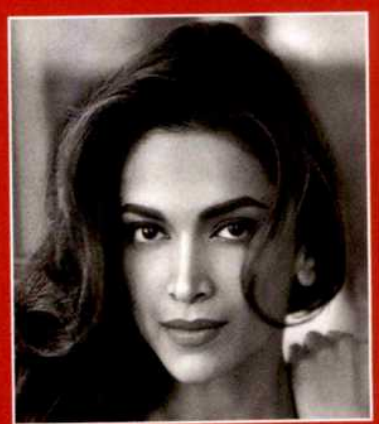
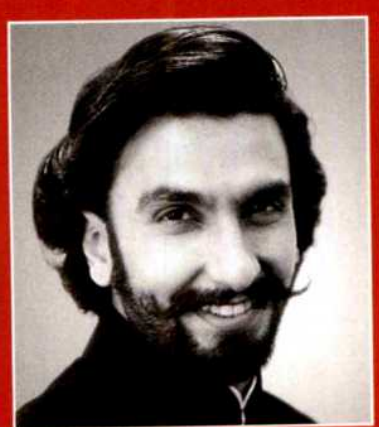
CELEBRATE



Amitabh Bachchan
Living Legend



Deepika Padukone
Blockbuster Express



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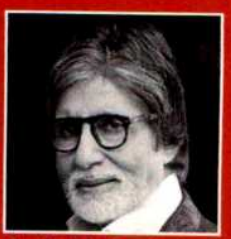

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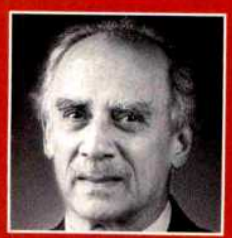

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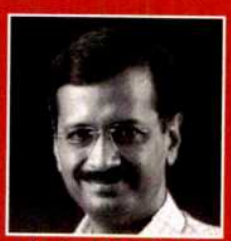

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UNCOMMON MAN

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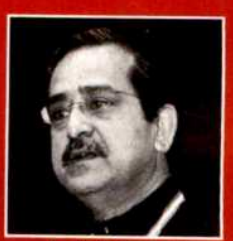
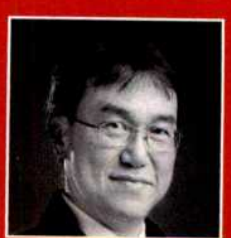


Ashok Lahiri
NUMBER NINJA



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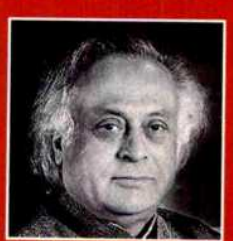
HYGIENE HAWKER



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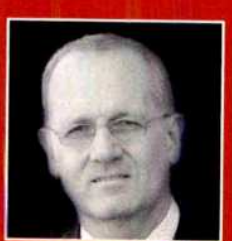
IDEALOGUE



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SPACE WARRIOR

Kapil Sibal
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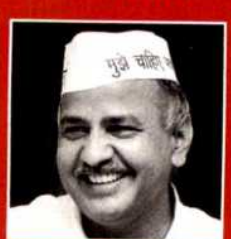
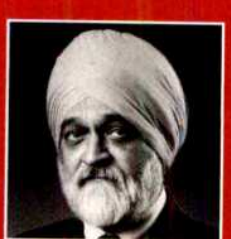


Manish Sisodia
THE NEGOTIATOR

Maysoon Zayid
LAUGHTER THERAPIST



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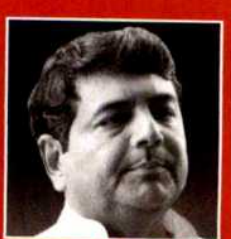
THE PLANMAN



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HEARTLAND HEADLINER

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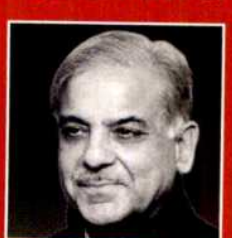
SITAR STAR



Shahbaz Sharif
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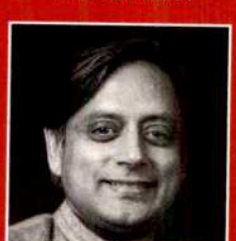
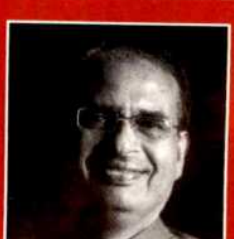


Shashi Tharoor
SCHOLAR WRITER



Shivraj Singh Chouhan*
SILENT PERFORMER

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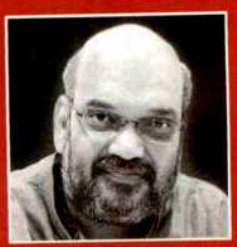
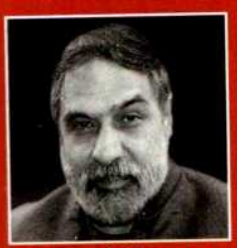
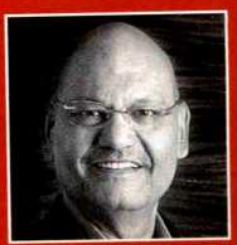


Amit Shah
POLL STAR

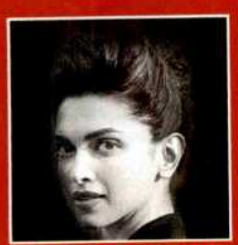


Anand Sharma
BUSINESS WIZ

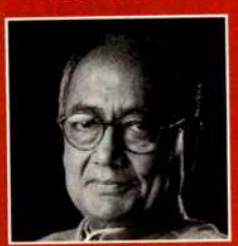


Anil Agarwal
METALNNAIRE

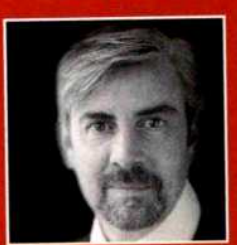
Anne Lauvergeon
ATOMIC ANNE



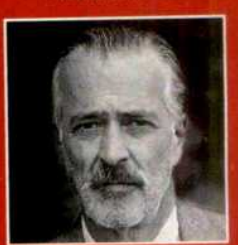
Deepika Padukone
BLOCKBUSTER EXPRESS



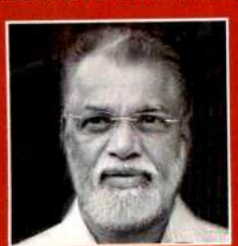
Digvijaya Singh
STRATEGY TSAR



Henrik Schärfe
ROBOT MASTER

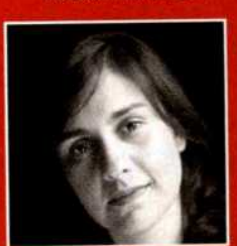


Hooman Majd
IRANIAN IDEALIST

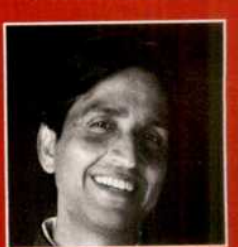


K. Radhakrishnan
MOONWALKER

Kalki Koechlin
IRON BUTTERFLY



Kamila Shamsie
NOVEL KARTOGRAPHER



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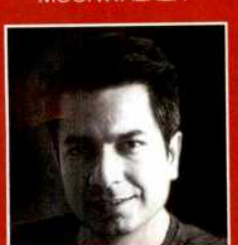
THE CHALLENGER



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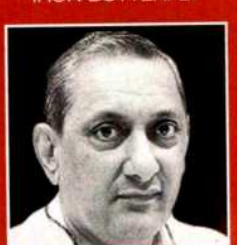
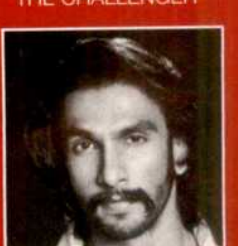
MOBILE MAVERICK



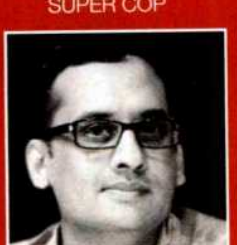
Rakesh Maria
SUPER COP

Ranjit Sinha
CHANGE AGENT

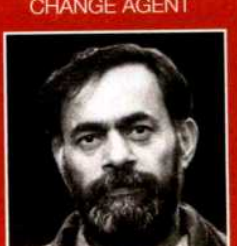


Ranveer Singh
THE WILD CARD

Vasundhara Raje
ELECTED QUEEN



Yashwant Deshmukh
SWING CHASER



Yogendra Yadav
GAME CHANGER

*invited

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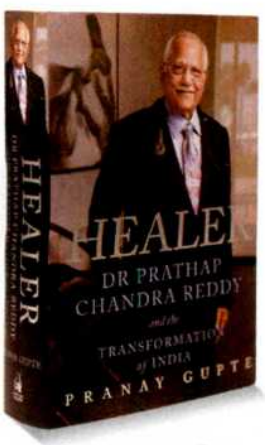
Hospital Hero

The riveting tale of the man whose Apollo Hospitals transformed Indian health care



Healer: Dr Prathap Chandra Reddy and the Transformation of India

By Pranay Gupte

Portfolio

Pages: 548; Price: ₹899

This voluminous book captures the life and times of doctor-turned-entrepreneur Prathap C. Reddy, Founder Chairman, Apollo Hospitals, and indeed the originator of high-class corporate health care in this country. With Apollo having become a byword for high-class, high-cost health care, biographer Pranay Gupte followed Reddy around India for a whole year to write the book. It looks mostly at Reddy's early life, leading up to a historic date, September 18, 1983, when Apollo's first hospital in Chennai, was inaugurated by Giani Zail Singh, the then Indian president.

Gupte maintains that when Reddy returned to India from the US in 1970, setting up Apollo Hospitals may not have been among his objectives. His first goal then was to create a first-rate cardiology practice. There are stories too surrounding the setting up of the hospitals. How did Reddy acquire the land for his first hospital? He bid for it. An auction of the plot on Greams Road in central Chennai was held on October 10, 1979 at Chennai's Cochin House. Reddy consulted his astrologer and numerologist D. Nagarajan, who made some calculations and suggested Reddy put up a figure of ₹17.4 lakh, which turned out to be the winning bid.

The book also touches upon Reddy's uncanny ability to persuade people. To bureaucrats in socialist India, for instance, notoriously wary of the private sector, especially in a sector such as health care, he would point to the sore need for more hospital beds, and the fact that while the government may provide basic primary health care, it simply did not have the wherewithal or manpower to offer tertiary care. To intellectuals and other influencers of public policy, Reddy would point out that by 2030, India would have 500 million retirees of a projected population of 1.6 billion. Who would provide them with appropriate health-care facilities if he did not take the initiative?

Reddy's widespread influence can be gauged from one section of the book which carries testimonials about him from all kinds of movers and shakers – they include Jeffrey Immelt, Chairman and CEO, General Electric; Ratan Tata, Chairman, Tata Trusts; and Mukesh Ambani, Chairman and CEO, Reliance Industries. Reddy seems to have also found admirers among spiritual gurus such as Sadhguru Jaggi Vasudev, Founder, Isha Foundation, and among politicians such as Kamal Nath, Union Minister for Parliamentary Affairs and Urban Development.

Apart from recording the growth of the Apollo chain from a single hospital to over 50 today, employing close to 70,000 people, the book also dwells on Reddy's personal life. With Andhra Pradesh in the throes of being carved up into Telangana and Andhra regions, it is interesting that the book describes him as "an Andhra Reddy". He is a Rayalaseema Reddy from the Chittoor region, while his wife Sucharitha comes from Khammam, which is would be part of the Telangana region.

The book portrays Reddy as a man who is always thinking ahead and planning for the future. After turning 80 in February 2013, he set up a family council to oversee both transition and third-generation involvement in Apollo Hospitals. It seems that Reddy's father has been proven right. It was he who wrote to the young Reddy urging him to return to India after finishing his training in the US when Reddy was toying with the idea of settling down in that country. ◆

E. KUMAR SHARMA

Reddy's widespread influence can be gauged from a section of the book which carries testimonials about him from all kinds of movers and shakers

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Senior Recruitment Manager
Location: Bengaluru / Bangalore
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Think People Solutions Private Limited
Sr. Manager
Location: Mumbai
Job ID: 14466154
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Black Turtle
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Location: Chennai
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Unison International Consulting Private Limited
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Location: Bengaluru / Bangalore
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Tek Systems Pvt Ltd
Project Leader/ Project Manager
Location: Mumbai
Job ID: 14572136
Description: Require candidates with 5+ years minimum experience as a Project Manager Change Analyst for Infrastructure related projects – preferably in large, global enterprises.

Deloitte Consulting India Pvt. Ltd.
Senior Consultant
Location: Hyderabad / Secunderabad
Job ID: 13406293
Description: Candidate should have information technology (IT) exp and specifically 3e to 4 yrs in implementing medium/large Identity and Access Mgmt projects including IBM Tivoli Identity Mgmt,Oracle Identity Mgmt.

Cisco Systems India Private Limited
Software Engineer/ Programmer
Location: Bengaluru / Bangalore
Job ID: 14328853
Description: Candidate will be responsible for studying industry specifications, ASIC specifications, vendor's hardware documentation, then implement networking or storage functionality into existing code bases, etc.

Larsen & Toubro Infotech Ltd.
Livelink Administrator
Location: Bengaluru / Bangalore, Mumbai
Job ID: 14672668
Description: Candidate will be responsible for Manageing and administering Open Text Content servers and user security administration.

NCR Corporation India Pvt. Ltd.
Senior Test Engineer
Location: Hyderabad / Secunderabad
Job ID: 14577698
Description: Candidate should have experience using Agile Scrum software development methodology;Point of Sale system experience, including OPOS/UPOS; good understanding of design patterns, etc.

GlobalHunt India Private Limited
Sr.Net developer
Location: Gurgaon
Job ID: 14747427
Description: Candidate should have 7-10 years designing and building successful web sites and desktop applications using Microsoft Technologies with experience in C# / VB.Net/ Asp.Net development.

JK TECHNOSOFT
Sr. Progress DBA
Location: Bengaluru / Bangalore
Job ID: 14747403
Description: Candidate should have at least 5 years of DBA experience on Progress database, monitor Database Availability and Batch Processing.

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GM Sales
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Saisun Company
Marketing Head
Location: Aurangabad
Job ID: 14638062
Description: Candidate should have 12-15 years experience in marketing; will be responsible for developing pricing strategies, ; evaluateing financial aspects of product development,

The Himalaya Drug Company
Area Business Manager
Location: Delhi, Bengaluru / Bangalore
Job ID: 14606434
Description: Candidate will be responsible from identifying new markets,explore new business opportunities,lead a team of Veterinary Sales Executive; achieve companies short and long term goals.

VT Manpower Consultancy Services Private Limited
Sales Head
Location: Chennai
Job ID: 14676080
Description: Candidate will be responsible for developing customers using Coal Fly Ash in applications & responsible for timely Collection of Sales Proceeds, on behalf of Company, maintaining close etc.

TeamLease Services Private Limited
Relationship Manager
Location: Bengaluru / Bangalore
Job ID: 14527197
Description: Candidate will manage Net Worth customers of the Bank, high level of service & provide Fir planning & Investment Advise

Penta HR
Sr. Manager
Location: Mumbai
Job ID: 14628324
Description: Candidate preferat Polymer Science, Textiles (ME Marketing added Advantage), experience of 10 years in the market non woven Fabrics , Poly sheets, Tex India and Abroad.

HR Connect One Consultants
Marketing Head
Location: Delhi, Gurgaon
Job ID: 14729932
Description: Candidate will be respc for spearheading marketing and initiatives, medium and long term str which deliver on sales and profit g expectations in line with the agg growth targets

Globallogic India Ltd
India Marketing & PR Manager
Location: Noida
Job ID: 13514997
Description: Candidate will be respo for effectively positioning and pron GlobalLogic to customers, empl recruits, and key stakeholders i GlobalLogic organization; etc.

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Elixir Web Solutions Private Limited
Asst. VP
Location: Mumbai
Job ID: 14676297
Description: Candidate will be responsible for Balance sheet, P&L, Budgeting & Forecasting, P&L & Headcount Reporting / Analytics.

dEEVOiR Consulting Services Pvt. Ltd.
Senior Consultant
Location: Mumbai
Job ID: 14746163
Description: Candidate should have experience in Banking / financial services company or risk management / statutory audit profiles with specific experience in Banking / financial services covering: Regulatory / Compliance.

Hector & Streak Consulting Private Limited
Accounts Head / GM - Accounts
Location: Mumbai
Job ID: 14611940
Description: The desired candidate should be a qualified Chartered Accountant with 15+years of experience of handling Accounting, Planning, Reporting, MIS, etc.

Sagar Asia Private Limited
Accounts Head / GM - Accounts
Location: Hyderabad / Secunderabad
Job ID: 14556455
Description: Candidates with CA/ICWA with 15-20 years experience in a medium scale manufacturing company. Candidates with experience in Group reporting of foreign subsidiaries, Imports & Exports along with FEMA Regulations would have an edge at the time of evaluation

Careerist Management Consultants Pvt Ltd
Accounts Head / GM - Accounts
Location: Gurgaon
Job ID: 14556230
Description: Looking for the position of Sen. Manager/DGM Finance-Media , for a leading Ad Agency who will head the financial function of the Media team & into financial planning, budgeting, costing, balance sheet

People Gamut HR Solutions
AGM/Assistant General Manager - Finance
Location: Mangalore, Udupi
Job ID: 14619895
Description: Required candidate will manage the Accounting & Taxation (Direct & Indirect) Function for the company or Group of Companies.

Future Mint Consulting Services
Finance Manager- CA
Location: Mumbai, Pune
Job ID: 14745026
Description: Candidate should have experience in corporate companies can apply & should possess strategic finance skills, good communication & interpersonal skills.

Brinks Arya India
Senior Internal Auditor
Location: Mumbai
Job ID: 14588489
Description: The position requires excellent auditing skills and a keen perception of how procedures and methods should work, particularly when established policy or procedures do not exist.

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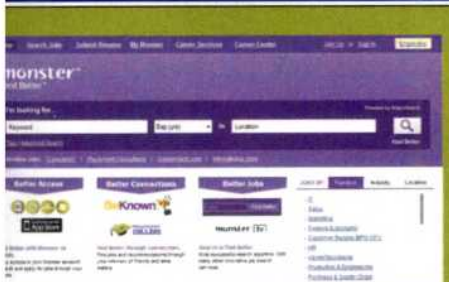

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Full of Drive

A celebrity visitor at the recent 12th Auto Expo was **OLA KÄLLENIUS**, member of the divisional board of German auto giant Mercedes-Benz. His reputation encompasses that of salesman and engineer – he has helped increase Mercedes sales as well as supervised the making of Mercedes Formula One engines. In India, he notes how his company's business grew faster than its global average in 2013 – 32 per cent versus 11 per cent. Yet Källenius isn't sure if India's demand for luxury cars will match China's soon. "The underlying potential of India is great, but how quickly it can get to China's level is hard to say," he says.

SUNNY SEN

Sophie Vandebroek
CTO, Xerox

Tech Tsarina

There are not many women in senior positions in the technology industry, but **SOPHIE VANDEBROEK** is an exception. The Chief Technology Officer at document management product and IT services company Xerox. Vandebroek heads its research centres in Europe, Asia and Canada, besides the US, where she holds 14 patents. She was in India recently to meet the company's researchers in Bangalore, a fast-growing centre. "I come once or twice a year to review the projects, meet the researchers, clients and our innovation partners," she says, adding: "The research centre in India was created with a mission on services innovation, to create value both for the emerging and global markets."

GOUTAM DAS

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NILOTPAL BARUAH

Kumar Raghu
President, ICAI

Accounting for the Future

The first thing Bangalore-based **KUMAR RAGHU** did after becoming President of the Institute of Chartered Accountants of India was launch an ICAI mobile app. It will help 240,000 chartered accountants and one million students studying to become CAs get the latest updates and notifications. Raghu, 47, however, wants to move further, and deploy technology significantly to take the ICAI to the next level. He feels there are plenty of opportunities for Indian professionals in the Gulf countries, Singapore, Australia, etc. "I would like to see more and more of our CAs move to these countries and take up global roles."

K.R. BALASUBRAMANYAM

Hisao Tanaka
President & CEO,
Toshiba Corp.

Big on India

HISAO TANAKA is cautious but firm in his speech. The head of Toshiba Corporation wants to help Indian Railways modernise its fleet. There has been no response from the Railways yet. Tanaka, who visited India for the first time recently, wants the country to anchor his company's businesses across South and South-east Asia. Convinced of the India story, Toshiba plans to invest $500 million in the country by 2017/18. Tanaka also pushed for the regional and global expansion of Toshiba JSW Power Systems, a JV between Toshiba and India's JSW Group. "The turbines manufactured here (in India) could be exported to the Middle East, South-east Asia and other nearby geographies," he says.

ANILESH S. MAHAJAN

SHEKHAR GHOSH/www.indiatodayimages.com

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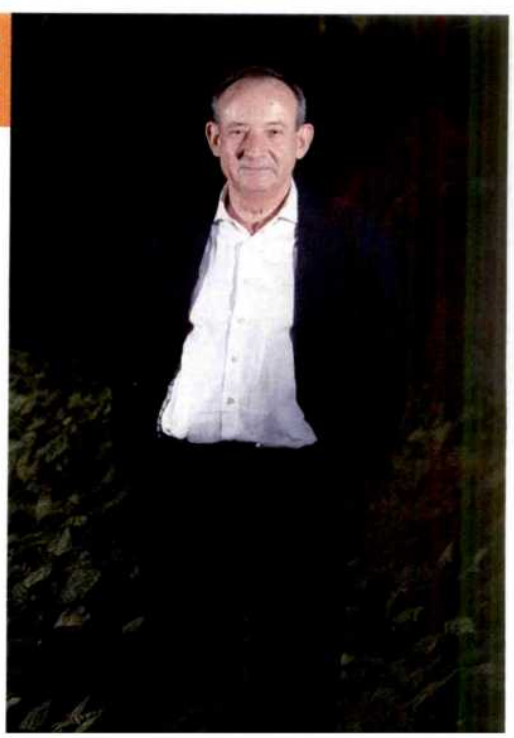
Gurmit Singh
MD, Yahoo! India

What, Me Worry?

India's online advertising market is booming and expected to grow at over 40 per cent annually. Enter **GURMIT SINGH**, the new head of Yahoo! India, who will be overseeing the company's operations and hopes to "deliver growth". Singh, 44, who has worked for over 20 years in the media and consumer goods sector, says the Indian online market, the third-largest globally after the US and China, is at a stage where there's room for every company to have unique play. His job won't be easy because expectations are high, especially at a time when Yahoo!'s revenues from the Asia Pacific region are falling. "In my previous assignments, I have worked in complex environments and been able to deliver growth and profitability," he says. He is well networked, which will surely come in handy.

MANU KAUSHIK

Yvo de Boer
Global Chairman, Climate Change & Sustainability Services, KPMG



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Green Warrior

YVO DE BOER is upset at the lack of a global concerted effort to combat climate change. "Unless we find a way of acting together as a global community, it is going to be difficult to address issues related to climate change," he says. Boer, who works with global auditor KPMG and had earlier served as executive secretary at the United Nations Framework Convention on Climate Change, now pins his hope on youth. "Young people are becoming aware of the issues and are building business around sustainability," he says. In India, Boer says the government must improve public transport, make diesel and petrol expensive, go for renewable sources of energy and link an industry's performance to sustainability.

AJAY MODI

GURSIMRAN MANN
MD, Simbhaoli Sugars

My first role model
My father. As a child, watching him walk the talk in difficult situations helped build my character. He combined leadership with humility and a modern outlook

My first job
As a trading manager with Simbhaoli Sugars

My first boss
At Nestle, where I interned. He was so calm, thorough and data-driven. I try to apply my learnings from him in my own professional life

My first promotion
As General Manager, Marketing and Business Development, Simbhaoli Sugars, at age 24. It was exciting to grow the company's 'Trust' retail brand and engage in various business development roles

My first disappointment
Sugar is a heavily regulated sector. An early disappointment, probably, was realising the amount of red tape involved. I am happy that we are moving to a more decontrolled environment now

Photo by Vivan Mehra
As told to Ajay Modi

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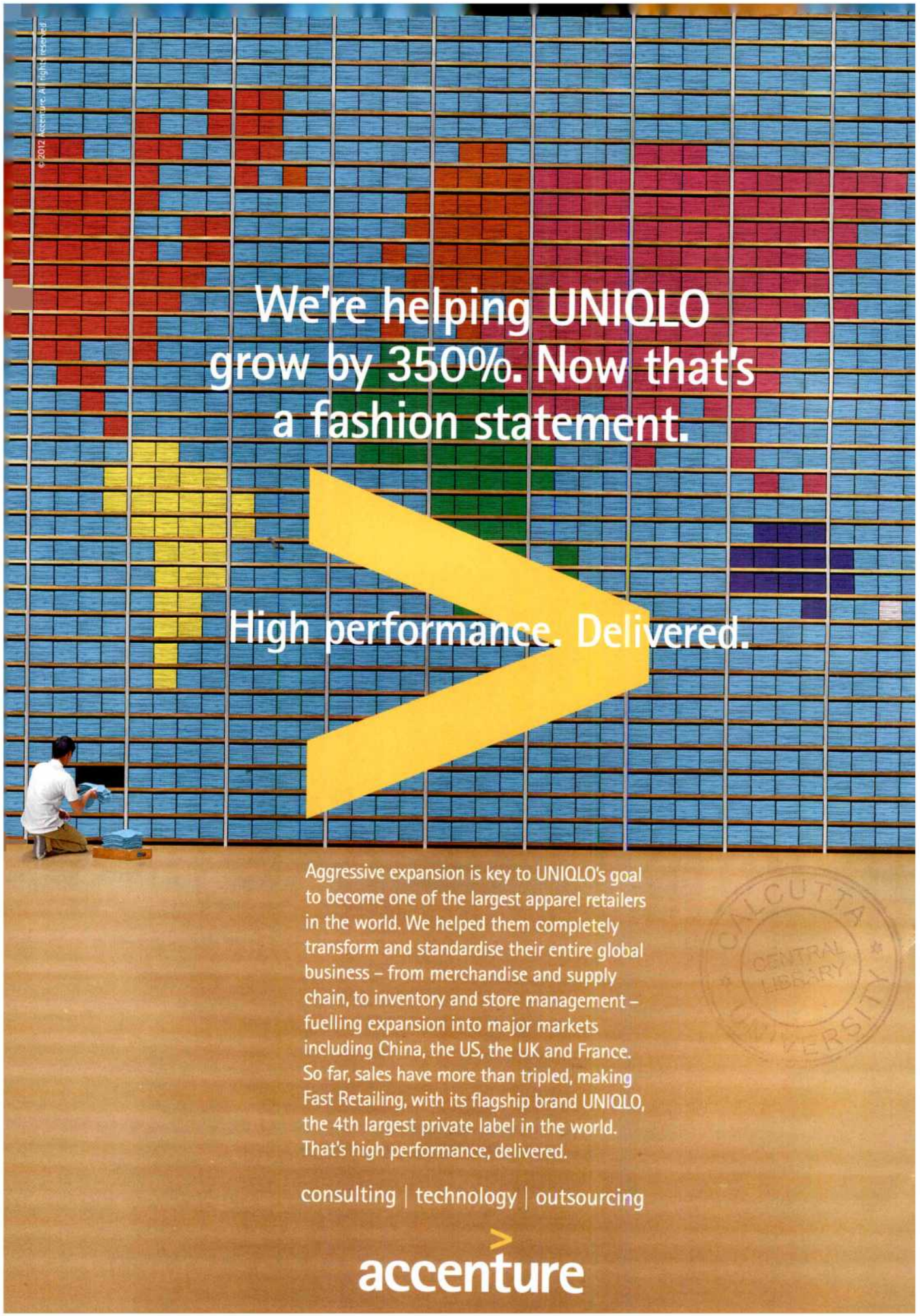

Aggressive expansion is key to UNIQLO's goal to become one of the largest apparel retailers in the world. We helped them completely transform and standardise their entire global business – from merchandise and supply chain, to inventory and store management – fuelling expansion into major markets including China, the US, the UK and France. So far, sales have more than tripled, making Fast Retailing, with its flagship brand UNIQLO, the 4th largest private label in the world. That's high performance, delivered.

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NANO'S NEW COLOURS

FIVE YEARS AFTER IT HIT THE MARKET, THE WORLD'S CHEAPEST CAR GETS RE-POSITIONED. WHY? p62

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FROM THE MANAGING EDITOR

El Nano in the time of El Niño

India's general elections, the largest such exercise the 21st century has seen yet, will also be the most important that Indian business has faced in 64 years of the republic. That's not an exaggerated statement. Economic growth today is closer to the 4.1 per cent average in the four decades before the economic reforms than the near-seven per cent in the two since. Those fighting the elections are yet to recognise how bad a shape the economy is in and have a limited view on what it will take to get it back on the rails. Ask any businessperson and he or she will tell you how things are much worse on the ground – in terms of new orders, trade financing, wage inflation, and the reliability of utilities – than what the headline GDP numbers suggest. And, even more worrisome, is how precariously the economy is perched. One shock like a conflagration in Ukraine or a bank crash at home will be enough to set off a domino that could put us back a few years. The elections, then, could have been an opportunity for India Inc. to pull itself out of the rut it is in rather than wringing its hands on how bad the business environment is. That is, had it advocated credibly the need for changes that would make creating wealth easier in India. And, it is difficult to imagine any political grouping opposing the need to make government and regulatory permissions more transparent and predictable; the process of taxation (note: not the quantum of taxation) less onerous; and make movement of physical goods less of a hassle.

Unfortunately, business decided to sit tight on its hands and, as in the past, shied away from actively engaging with the political class and shaping a non-partisan policy regime that was good for the economy. If the elections turn up a fractured mandate, India business leaders will rue what they missed doing.

By all indications, there will be regret elsewhere, too: leaders in the Congress party will likely smart over how they did not project Rahul Gandhi effectively enough when election results are announced on May 16. Associate Editor Shweta Punj and Special Correspondent Anilesh Mahajan look at Brand Rahul through the lens of a product brand. Theoretically, the Congress party had everything going in the younger Gandhi: appeal with some 100 million new voters, someone who is untainted by the corruption scandals of the ruling United Progressive Alliance government, and a last name with the all important 'G'. But, like in most branding failures, the problem lies in the disjointed fit between the product and the image being projected. Read about the 4Ps of Brand Rahul and more on page 40. Other interesting stories this issue are one on the grandstanding versus reality of inter-linking rivers (page 84), another on how bank non-performing assets (page 48) could indeed be the tipping point into financial disaster for India, and one on how Ferrero Rocher (page 92) prised open the premium chocolates market in India.

Continuing with product and branding (and Rahul Gandhi), there have been few disasters in recent corporate history that can be compared with the Tata Nano. Undoubtedly the most watched product to have come out of India, the addressable market for the Nano, priced at ₹1.7 lakh for the top-end version in 2009, was in the millions. But the 'little boy' was quickly bleeped out of customer minds when they saw little value in it. Tata Motors, Nano's maker, has learnt from its mistakes and launched what many would call a normal car: with power steering, AC, car stereo, and other accoutrements. Add a dash of pizzazz and factor in some inflation, suddenly the all-loaded Nano Twist at ₹2.58 lakh makes it to the "is it value for me" dashboard of potential buyers. Go to Executive Editor Suveen Sinha and Associate Editor Sunny Sen's Nano narrative on page 62. In an El Niño year, the Tata little boy looks like it has a shot at the sunshine. 'El Nano' Gandhi may have to wait for a few years more.

Josey Puliyenthuruthel

josey.john@intoday.com
@joseyjohn

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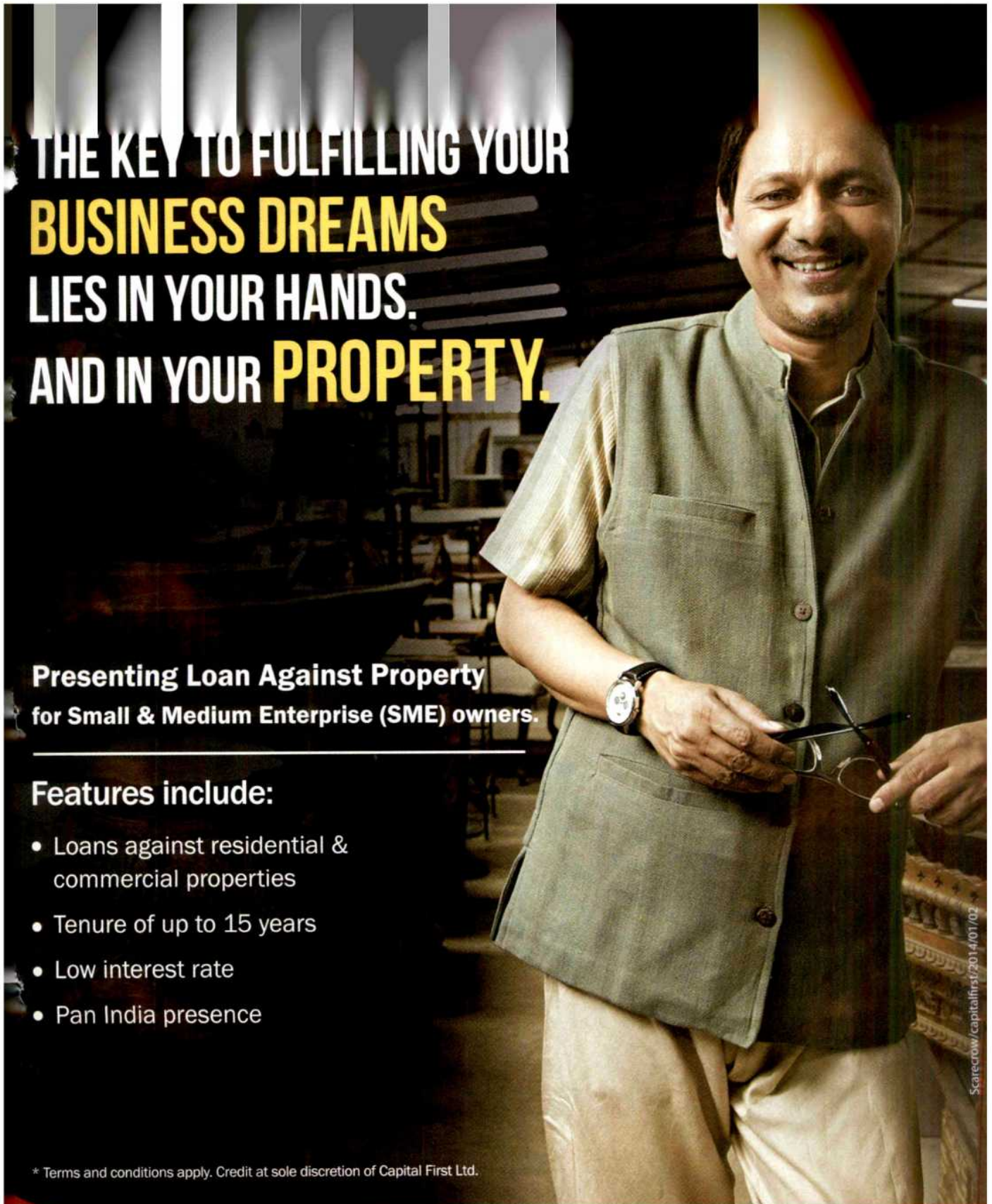

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Re: Letters to the Editor

Blessing in Disguise

The cover story on the pharma sector (*Intensive Scare*, March 16) was well researched and analytical. The US regulator FDA's increased scrutiny of Indian drugs has alerted exporters to the importance of keeping basic facilities at their plants clean and transparent. In fact, it has forced the Indian counterpart DCGI to review provisions relating to quality of drugs, and step up good manufacturing practices. Definitely, it is a challenging job for the Indian drug makers to comply with international standards, because India is the second-largest provider of finished dose products to the US. Hope US vigilance (a blessing in disguise!) will curtail rampant production of spurious drugs in India.

Abhinav P., *New Delhi*

Success Case Studies

This refers to your excellent coverage of Hottest Young Executives (*Prodigies' Progress*, March 16), profiling India's 25 best and brightest corporate performers under 40. Kudos to the *BT* team as well as the selection panellists. The proverb "when the going gets tough, the tough get going" is much in use now as the overall economy is in bad shape and some industries are facing serious challenges and battling for survival. Their focus on what they learnt from their MBA courses, the hurdles they had to cross to come out as winners, the multi-faceted skills they had to acquire, the successes and failures which taught them lessons in management, and home-life balance are some the most valuable tips worth sharing, in the form of case studies, which MBA students to motivate them.

J.S. Broca, *New Delhi*

Gender Imbalance

The much awaited annual listing of the Hottest Young Executives (March 16) left me feeling inspired, but also a trifle disappointed. Only one woman executive made the cut out of 25? In times like these, when every day brings news of women achievers smashing the glass ceiling, you could have dug deeper while compiling this list.

Vitika Banerjee, *Gurgaon*

The Managing Editor's response: *Vitika, we are aware of this and make extra efforts every year to ensure we do not miss anyone deserving. It didn't help this time that some on our shortlist like Amrita Padda of Hindustan Unilever did not want to be profiled. Meanwhile, you do follow our annual 'Most Powerful Women in Business' issue, don't you? It's scheduled for autumn this year.*

Correction

The story "Achieving a Good Deal" (March16, Page 96) says the email id at which the Groupon India CEO can be contacted is ceo@groupon.in. It should be ceo@groupon.co.in. The name of the restaurant Varq at the Taj Mahal Hotel, Delhi, is also misspelt. We regret the errors.

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India is the most difficult country to do business in: Study
But if you can bribe, it is the easiest way to get good business.
- **Ananth Ramakrishnan**

Bad loans, biggest challenge for public sector banks, says Finance Minister P. Chidambaram
Action please. But most politicians will go behind the bars?
- **Parthasarathi Doraisamy**

Samsung Galaxy S4 gets cheaper by about ₹10,000
This is not new. Samsung has the dubious distinction of launching its products at unreasonably high prices. - **Suraj**

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PHOTOGRAPH BY RACHIT GOSWAMI

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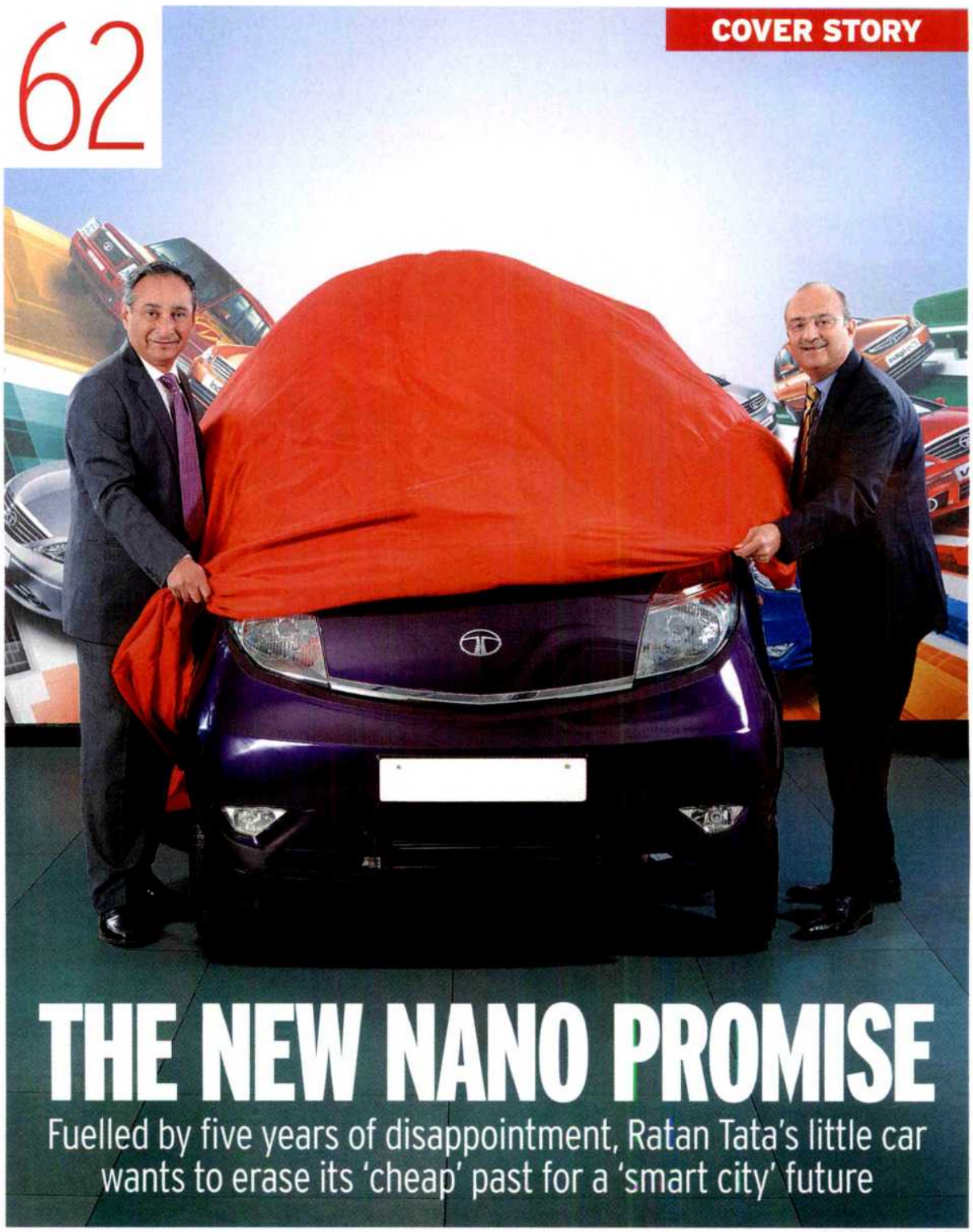

THE NEW NANO PROMISE

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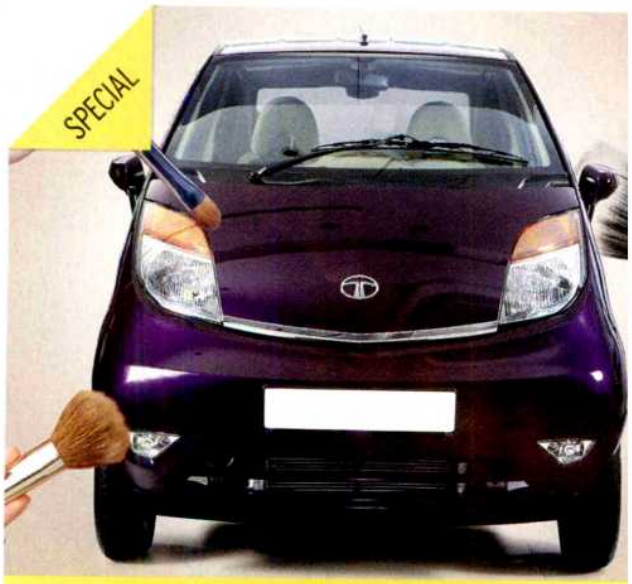

Image Makeover

All the hype around Tata Motors Nano, launched five years ago, failed to make it a success. Now Nano is being marketed differently.

businesstoday.in/nano-makeover

WEB EXCLUSIVE

War on NPAs

Chairperson **Arundhati Bhattacharya** initiates a two-pronged strategy to reduce bad debts.

businesstoday.in/sbi-npas

NEWS

Well Placed

Placements at the Indian School of Business, Hyderabad, see increased interest by start-ups and West Asian companies this year.

businesstoday.in/isb-placements

Great Deal

D.K. Sarraf, admired for his deal making skills, takes over as Chairman of ONGC.

businesstoday.in/ongc-sarraf

D.K. Sarraf

Family Matters

Family businesses take interpersonal ties for granted, shows a new study.

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Mohit Burman of Dabur India

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SLIDE SHOWS

Transformation

Rachit Goswami's images of Hiware Bazar, the Maharashtra village whose water conservation and management efforts have won it national renown.

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Float and Fly

Maharashtra's tourism department start a seaplane service.

businesstoday.in/seaplane

DEEP DIVE

Qualified Assent

With the government actively considering allowing FDI in e-commerce, **Shubho Ray** examines the implications.

businesstoday.in/deep-dive

Fiscal Marksmanship

Ranen Banerjee looks at whether the government's advance estimates correspond to the true picture of the economy that emerges later.

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No End in Sight

With Vodafone seeking international arbitration in its tax dispute with the Indian government, **Sanjay Sanghvi** re-examines the issue.

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GADGET REVIEWS

businesstoday.in/gadget-reviews

Moto G

Motorola brings its latest offering to India.

Nokia X launch

The new family of smartphones from the Finnish giant unveiled at the Mobile World Congress.

Galaxy S5

The next in the Galaxy series makes its debut.

Acer K135

A portable projector, ideal for home theatre.

INTERVIEWS

"We are trying our best to get Goafest back on its feet"

Pratap Bose, President of the Advertising Club, talks to **Ajita Shashidhar.**

businesstoday.in/adclub-bose

"Entrepreneurs are the future of India"

John Mullins, London Business School professor studying Indian entrepreneurship, speaks to **Ajita Shashidhar.**

businesstoday.in/lbs-mullins

"We are a breath of fresh air in the Indian truck market"

Wolfgang Bernhard, member of the Daimler AG board, speaks to **N. Madhavan.**

businesstoday.in/daimler-bernhard

PANKAJ NANGIA

Figure It Out: The interim budget has provided ₹595 crore for Lok Sabha election expenses, but total expenditure along with the cost of deployment of security and other administrative staff is expected to be around ₹18,000 crore. The clash (see picture) between workers of the Aam Aadmi Party and the Bharatiya Janata Party proves all stakeholders mean business when it comes to your vote.

Corporate

In the last days of UPA II, another scam has surfaced. **The defence ministry has ordered a probe into Hindustan Aeronautics Ltd's contracts from Britain's Rolls-Royce Holdings worth at least $1.2 billion. The CBI will look into allegations that over $80 million was paid in kickbacks in a deal signed in 2011.** Defence Minister A.K. Antony ordered the investigation after he was told that Rolls-Royce had disclosed its use of outside consultants receiving a commission. The probe follows the arrest in Britain of Indian-born businessman Sudhir Choudhrie and his son in a probe by the Serious Fraud Office into Rolls-Royce's dealings in China and Indonesia.

Reliance Jio Infocomm has entered into a tower-sharing deal with Bharti Infratel in a bid to speed up the roll-out of its data and voice services. Reliance Jio entered the voice segment recently by buying spectrum in the 1800 megahertz band in 14 regions for nearly ₹11,000 crore.

A ministerial panel has decided to sell a stake in Indian Oil Corporation, the nation's largest oil firm. The sale of a 10 per cent stake will be through an off-market transaction, with ONGC and Oil India each buying a five per cent stake. The finance ministry had to go in for the block deal route after opposition from the petroleum ministry, which argued that IOC shares should not be sold through an offer for sale as the current price did not reflect the right valuation of the firm.

The Supreme Court has ordered custody in jail for Sahara chief Subrata Roy until March 11. The court wanted a concrete proposal from Sahara to pay over ₹20,000 crore to the Securities and Exchange Board of India. In a dramatic moment, a Gwalior lawyer threw ink at Roy as he entered the court premises.

India has asked Boeing Co. to find a solution for problems with state-owned Air India's 787 Dreamliners. The aircraft has experienced a series of malfunctions since its debut in 2011, including a three-month grounding of the global fleet last year after battery meltdowns on two planes. The Dreamliner fleet of Air India, which hasn't reported an annual profit since 2007, experienced 136 snags till November 2013.

A US court has rejected BP Plc's bid to block businesses from recovering money over the 2010 Gulf of Mexico oil spill, even if they could not trace their economic losses to the disaster.

India is home to the fifth-largest group of billionaires, according to a report by China-based research firm Hurun. Mukesh Ambani, Chairman of Reliance Industries, the country's richest man, was ranked 41st in the 2014 global rich list. Microsoft founder Bill Gates, with a personal net worth of $68 billion, topped the list. Steel tycoon Lakshmi N. Mittal, was ranked 49th with a personal net worth of $17 billion. Dilip Sanghvi of Sun Pharmaceutical Industries and Wipro's Azim Premji were both ranked 77th with wealth of $13.5 billion each.

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Economy

India's current-account deficit for the fiscal third quarter ended December 2013 narrowed to $4.2 billion, or 0.9 per cent of gross domestic product, from $31.9 billion, or 6.5 per cent of GDP a year earlier, thanks to a pick-up in exports and moderation in gold imports.

Manufacturing activity and new orders in India showed their strongest growth in a year in February. The news comes as a relief after data showed Asia's third-largest economy grew by a slower-than-expected 4.7 per cent annually in the three months through December. The HSBC Manufacturing Purchasing Managers' Index, which gauges the business activity of India's factories but not its utilities, rose to 52.5 in February, its highest in a year, from 51.4 in January. Overall new orders for factory goods, which rose to a one-year high of 54.9, contributed to the surge.

China has emerged as India's biggest trading partner in the current financial year replacing the United Arab Emirates and pushing it to the third spot, according to a PHD Chamber of Commerce study. India-China trade has reached $49.5 billion with a 8.7 per cent share in India's total trade, while the US comes second at $46 billion with 8.1 per cent share during the first nine months of the current financial year.

₹3.15 cr

The estimated amount spent by TCS and Wipro for lobbying on issues such as immigration and trade with various government agencies in the United States last year. US-based Cognizant, which has close to 75 per cent of its global employee base in India, spent ₹8.48 crore in 2013 on lobbying for immigration and tax-related issues, according to a report by the Center for Responsive Politics.

₹400 cr

The loss incurred by the Indian Railways on carrying freight traffic by the longer route and charging by shorter routes, according to the Comptroller and Auditor General of India.

Markets

The **Reserve Bank of India** has granted an additional nine months to the public to exchange currency notes printed before 2005, including ₹500 and ₹1,000 denominations, pushing the deadline to January 1, 2015. Currency notes issued before 2005 do not have the year of printing on the reverse side. Currency notes issued after 2005 have the year of printing at the bottom of the reverse side.

A day before dates for the Lok Sabha polls were announced, **the government decided to hike interest rates on fixed deposit schemes offered by post offices by up to 0.2 per cent.** The new rates will be effective April 1.

Coming Up

- The Department of Telecom will take about two months to allocate 1800 megahertz band spectrum won by companies in the February auction. Bharti Airtel, Vodafone, Idea Cellular, Reliance Jio Infocomm, Aircel, Reliance Communications and Telewings won spectrum in the 1800 Mhz band for a total of ₹37,572.60 crore.
- The Supreme Court will resume hearing on March 11 Nokia's appeal against a ruling over transferring ownership of its local mobile phones plant, which is the subject of a tax dispute, to Microsoft Corp.

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20 Incurable Optimist
24 Online Retailing
32 The Ink on India Inc

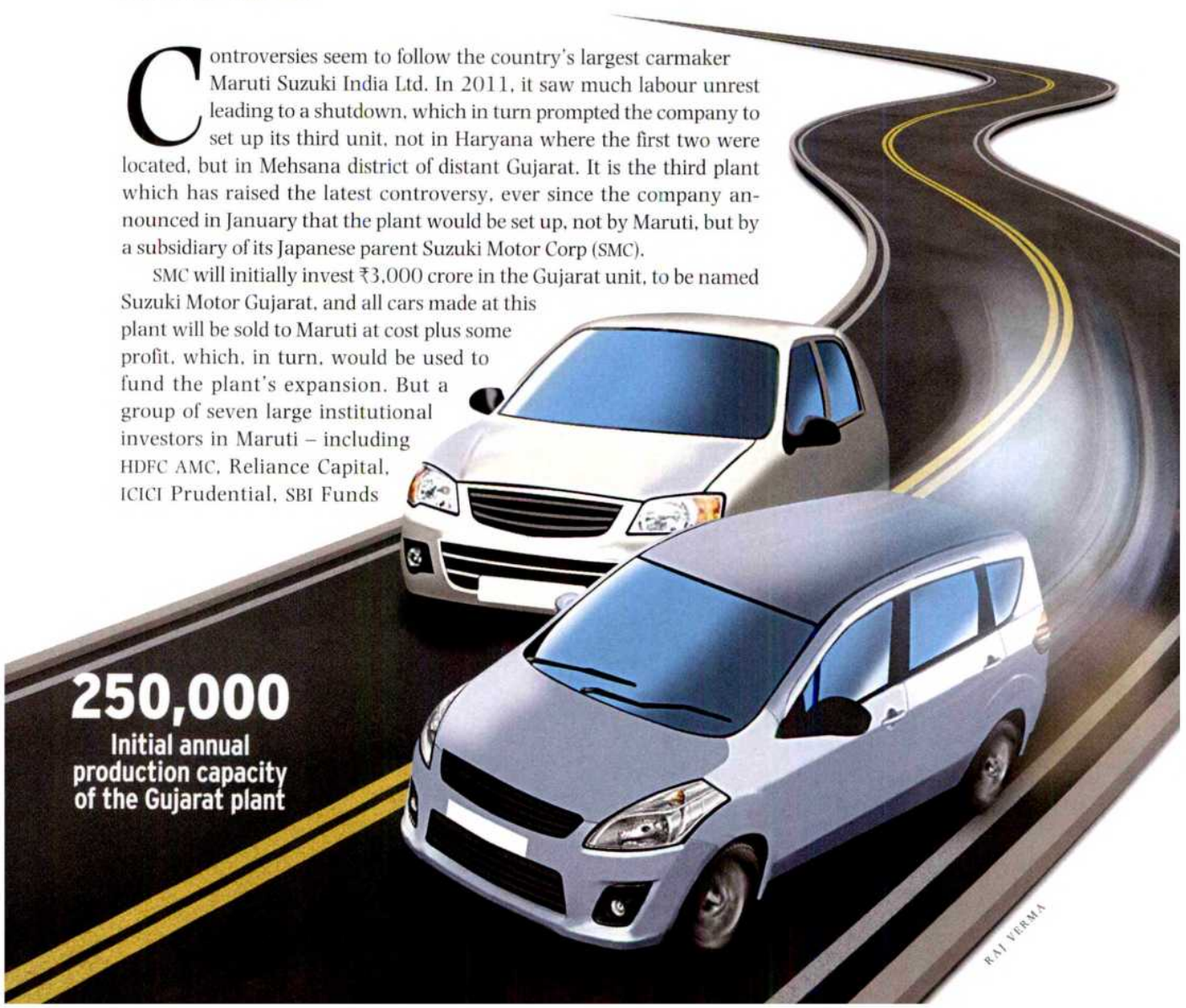
Losing Esteem

Why Suzuki's decision to take control of the upcoming plant in Gujarat has angered Maruti's investors.

By MANU KAUSHIK

Controversies seem to follow the country's largest carmaker Maruti Suzuki India Ltd. In 2011, it saw much labour unrest leading to a shutdown, which in turn prompted the company to set up its third unit, not in Haryana where the first two were located, but in Mehsana district of distant Gujarat. It is the third plant which has raised the latest controversy, ever since the company announced in January that the plant would be set up, not by Maruti, but by a subsidiary of its Japanese parent Suzuki Motor Corp (SMC).

SMC will initially invest ₹3,000 crore in the Gujarat unit, to be named Suzuki Motor Gujarat, and all cars made at this plant will be sold to Maruti at cost plus some profit, which, in turn, would be used to fund the plant's expansion. But a group of seven large institutional investors in Maruti – including HDFC AMC, Reliance Capital, ICICI Prudential, SBI Funds



250,000
Initial annual production capacity of the Gujarat plant

RAJ VERMA

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Management and others – have raised concerns about the nature of this transaction. State-run insurer Life Insurance Corp, which has a 6.93 per cent stake in Maruti, also sought clarifications. Maruti was quick to come out with clarifications on February 28, but these failed to allay the fears of investors. After the January announcement, Maruti's stock fell over six per cent until March 4 (see *Rocky Road* on next page).

So, what are the investors upset about? The Gujarat plant is expected to reach a production capacity of 250,000 units a year by 2017 funded entirely by SMC. Subsequent investment in the plant, projected to reach a production capacity of 1.5 million units a year, will come from the net surplus of selling cars to Maruti, fresh equity infusion by SMC and the depreciation amount available with the subsidiary.

STEPMOTHERLY TREATMENT?

Why investors feel Maruti is getting a raw deal

SUZUKI PROPOSALS	INVESTOR OBJECTIONS
The Gujarat plant will be a **100 per cent subsidiary** of Suzuki Motor Corp, Japan. Suzuki will make the cars and Maruti will sell them	The deal will reduce Maruti to a marketing company and lower its profit margins
The first phase of the Gujarat plant will be funded by a **₹3,000 crore** equity infusion by Suzuki	Maruti has some **₹7,500 crore** on its books and could well have funded it too
If the contract for the Gujarat plant is not renewed after it expires in 15 years, the plant will be merged with Maruti at a fair value based on independent valuation	Fair value of the Gujarat project remains a key uncertainty, as this will lead to a stake increase for parent Suzuki
Suzuki Motor Corp will operate the Gujarat plant on a no-profit, no-loss basis	Why will the plant run on a no-profit, no-loss basis? The company is not in the charity business

Although Maruti says the price at which cars will be sold to the company by the Gujarat facility will be less than the dealer price it currently charges, and the Gujarat plant will run on a no-profit, no-loss basis, there is no clarity on the amount of surplus that will be charged from the automaker. The company only says the surplus amount (generated from Maruti) will be determined by market conditions. "This is a grey area for investors. A higher amount will result in lower profitability for the Indian company," says Mitul Shah, analyst at Karvy Stock Broking.

Investors are particularly uncomfortable with Maruti's profits being used for the Gujarat plant, a company 100 per cent owned by SMC, and the change in Maruti's profile from a manufacturing company to, at least partially, a trading outfit. Maruti's annual capacity is some 1.5 million units at its two Haryana plants. By the time the Gujarat unit reaches full capacity, Maruti will be hugely dependent on it to meet its needs.

Analysts say Maruti can command higher profit margins and better control over production if it remains a manufacturing company. "We source nearly 70 per cent of our components from vendors. Our content is merely 30 per cent which also includes interest, depreciation and profits," says Maruti Chairman R.C. Bhargava.

Typically, trading companies in the auto sector command lower profit margins of two to five per cent compared to 10 to 15 per cent by manufacturing companies. Price-earnings multiples of trading firms are also lower than those of manufacturing companies, which could lead to an erosion of Maruti shareholders' wealth. "In future, Maruti will have to depend on Suzuki for incremental production. It is unclear what products will come out of the Gujarat facility and, if a slowdown comes, how the capacities will be utilised," says an analyst with Kotak Securities.

Maruti's institutional investors are now planning to approach market watchdog SEBI, while the management is meeting with investors and analysts. Investors are sceptical about Suzuki investing money in Gujarat when Maruti has some ₹7,500 crore of cash reserves on its books. Suzuki says its funds in Japan are generating lower returns than Maruti's in India. It is, therefore, better for Japanese funds to be invested in the Gujarat

ROCKY ROAD
Shares of Maruti, a blue-chip company, have been falling since the controversy began

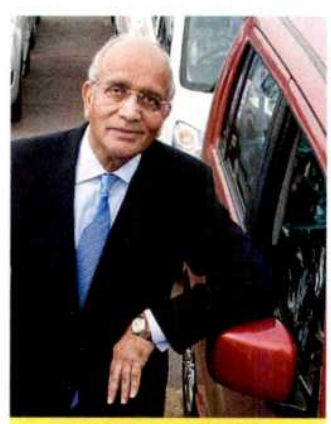
plant. "If Maruti is not investing in the Gujarat plant, it must return the excess liquidity to shareholders in the form of higher dividend," says a note by proxy advisory firm Institutional Investor Advisory Services (IiAS). "Maruti's investment portfolio has generated returns of around seven to eight per cent over the past three years, which is significantly lower than the company's return on capital employed (12-15 per cent)."

However, a senior Maruti official says the decision by Suzuki, which owns a 56 per cent stake in the Indian automaker, will help Maruti increase its profitability in the long term. "In our industry, manufacturing is not going to give us an edge over the competition. Competitive advantages come from new product development, building new technologies and creating marketing infrastructure. Maruti's management needs money in hand to meet such requirements," says the official.

ANALYSTS SAY MARUTI CAN COMMAND HIGHER PROFIT MARGINS IF IT REMAINS A MANUFACTURING COMPANY

The timing of the announcement has also caused distrust. Analysts say the deal came just two months before the new Companies Act 2013 comes into force from April 1. Under the new rules, such related-party transactions will require approval from a majority of minority shareholders. Investors say barring the Ambuja-Holcim deal where approval from minority shareholders was sought, minority shareholders in India get a raw deal.

But some analysts agree with Maruti that Suzuki's investment will benefit the company given the slump in the automobile sector. Maruti's sales volume growth has been flat for the past two years. "The company needs at least 15 to 20 per cent volume growth on a CAGR basis to fund the entire capital expenditure in Gujarat. A 1.5-million-units-a-year plant would require ₹25,000-30,000 crore. The growth outlook is not expected to drastically improve going forward. It might not have been possible for Maruti's future cash flows to completely fund this expansion," says Nishant Vass, research analyst with ICICI Securities.



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Chairman,
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How can the controversy end? The company has two options: to put the proposal before minority shareholders, or go back to the drawing board. ◆

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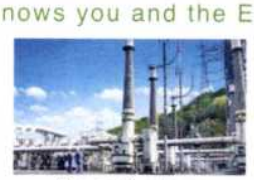

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AJAY THAKURI

Incurable Optimist

Was Finance Minister P. Chidambaram's growth projection in his latest Budget too rosy? The evidence of the last two years seems to suggest so.

By MANU KAUSHIK

By any measure, Finance Minister P. Chidambaram can be called an optimist. Last month when he presented the interim Budget of the United Progressive Alliance (UPA) government, he not only praised his government for its past performance, but also painted a rosy picture for the future. However, the estimates he has given on several fronts – gross domestic product (GDP) growth, tax revenues and more – key components of the rosy picture he painted, are now being increasingly regarded with suspicion. For a start, doubts about Chidambaram's projections come from the downward revision of growth estimates in recent years.

The advance GDP growth estimate for 2012/13, for instance, was five per cent, but the first revised estimate brought the figure down by 50 basis points to 4.5 per cent. The year before that, 2011/12, saw the GDP estimate being revised twice (See *Myth and Reality*) both times lower than the advance estimate. "The downward revision of GDP estimates is a reason to worry. It seems the speed of (economic) recovery was overstated," says D.K.

MYTH AND REALITY

GDP growth has been lower than initially expected

	Advance Estimate	1st Revised Estimate	2nd Revised Estimate
2013/14	4.9	-	-
2012/13	5.0	4.5	-
2011/12	6.9	6.2	6.7

Figures in per cent

Source: MoSPI - Ministry of Statistics and Programme Implementation

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Joshi, Chief Economist at ratings agency Crisil.

Other economists are equally sceptical about the finance minister's advance estimate of GDP which, for 2013/14, has been pegged at 4.9 per cent. Discussing the future, Shubhada Rao, Chief Economist at YES Bank, adds: "Assumptions on growth in tax collections and GDP are optimistic and may not eventually pan out. We expect GDP growth in 2014/15 to remain in the range of 5.2 to 5.6 per cent as recovery in real growth is very likely to be moderate."

Siddhartha Sanyal, Chief India Economist of Barclays, told *Business Today* soon after the Budget was announced that the ambitious target it had set for tax revenues would become a challenge for the government which takes over after the polls in April-May. "The tax collection projections are based on a GDP growth expectation of six per cent during the year, which is higher than our current estimates," he said.

What are the implications of over-optimistic projections? They are several. Lower GDP growth than projected could make the job of the next government tougher. It is estimated that a percentage point change in (real) GDP growth results in a 1.6 per cent change in gross tax revenues. The next government will need to spend money on Plan and non-Plan expenditure. Nearly half its tax revenue could go into interest payment, debt servicing and subsidies, which is around 40 per cent of total expenditure.

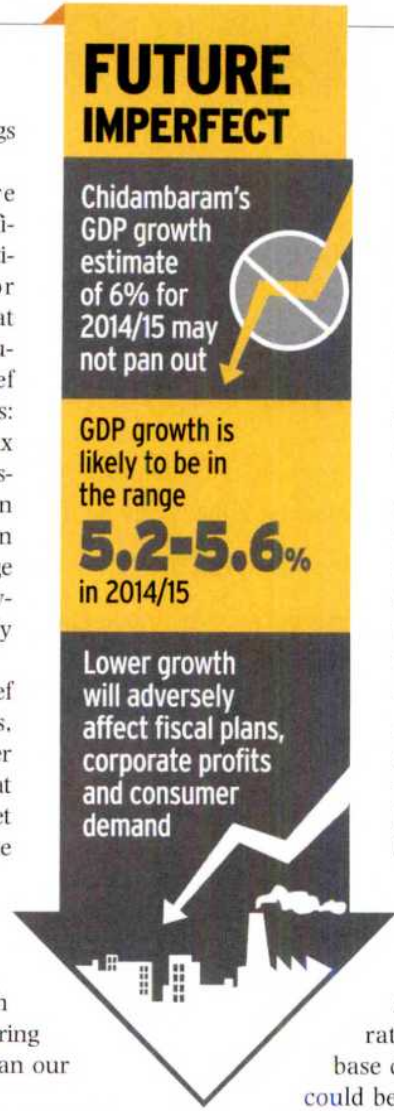
Experts say growth in the next financial year will depend on three factors: the extent to which the global economy recovers, the quality of this year's monsoon and developments on the domestic front. "If the growth estimates of P. Chidambaram cannot be achieved, it will have multiple implications on the fiscal side, corporate profits and consumer demand," says Crisil's Joshi.

Chidambaram, in February confidently asserted that GDP growth for the entire year of 2013/14 would be five per cent. For nine months of the year, the April-December period, GDP growth has been 4.6 per cent. The advance estimate of the Central Statistics Office pegs GDP growth at 4.9 per cent for 2013/14. A rough calculation shows that in the last quarter of 2013/14 the economy will have to grow at 5.5 per cent if the whole year's GDP has to meet CSO's projection.

The excise duty cut announced by Chidambaram in the interim Budget will also impact tax collections. It remains to be seen whether the new government continues with the cut. Already, tax revenues for the financial year 2013/14 have fallen below expectations by ₹77,000 crore – from ₹12.4 trillion in the Budget estimates to ₹11.6 trillion in the revised estimates.

Lower tax revenues could prompt the next government to make tough choices – perhaps even as drastic as revising tax rates upwards. Expand the tax base can be an option, too, but it could be challenging because of the poor compliance within the existing ecosystem. In fact, India's tax-GDP ratio is one of the lowest in the world. In 2007/08, it stood at 11.9 per cent before coming down to 10.8 per cent in 2008/09 and then to 9.7 per cent in 2009/10. In 2012/13, it moved up marginally to 10.2 per cent but continues to be far lower than the lower-middle income countries that have total tax-GDP ratio of 17.7 per cent.

Even so, as experts point out, the latest Budget Chidambaram presented is an interim Budget and many of the assumptions will come up for fresh scrutiny when a new government takes office later this summer. "Getting into the practical details of the interim Budget is not necessary at the moment as the new government will make its own choices," points out YES Bank's Rao. ◆



ADDITIONAL REPORTING BY AJAY MODI. RESEARCH INPUTS BY JYOTINDRA DUBEY

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Too Cheap for Comfort

Consumer electronics companies protest the massive discounts offered by online retailers. By SUNNY SEN

Online retailers such as Flipkart and Snapdeal were once the darlings of consumer electronics makers, as they helped boost sales. But the manufacturers are are now locked in a dispute with the retailers over pricing discounts they offer on products such as cameras, mobile phones and laptops.

Chinese computer maker Lenovo, Japan's Toshiba and Sony, and camera makers Nikon and Canon have either blacklisted e-retailers or cut warranties on products being sold on these sites. Lenovo has put up a notice on its India website that says Amazon.in, Flipkart and Snapdeal are not its authorised resellers. Nikon has even slapped a legal notice on Flipkart for under-pricing its products.

To be sure, the dispute isn't new. But it has intensified in recent months. In September 2011, Sandeep Amar, Head of Marketing and Sales at Times Internet Group, wrote in a blog post that e-commerce portals had become "a headache" for most brands as they were selling a lot of products below the market operating price. The market operating price is the lowest price that retailers can offer on products. Manufacturers prescribe this price to

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maintain their margins and keep pricing consistent across their sales network.

Online retailers, however, are selling many products below the market operating price by offering discounts. "These discounts are absorbed or shared by online sellers and websites," says Panasonic India Managing Director Manish Sharma on email. A local handset maker's founder, who does not want to be named, says online marketplaces such as Flipkart are offering discounts by pumping in money into the business to improve sales and increase their valuations.

There are two other reasons for the dispute. One, online discounts hurt brick-and-mortar retail stores that account for more than 90 per cent of the electronics goods sold in the country. And two, many manufacturers have started their own online stores. Godrej, Whirlpool and Next Retail have their own direct online channels while Lenovo's website directs buyers to *thedostore.com*, an online seller. Nokia and Samsung also have dedicated sellers. P. Balaji, Nokia's Managing Director in India, declined to comment saying only that this was a "very sensitive" matter.

Hardening stance: Micromax co-founder Vikas Jain

"IN CASE IT [PRICE DISCOUNTING] CONTINUES WE WILL BE FORCED TO TERMINATE OUR PARTNERSHIP AGREEMENT"

Though the discounts benefit consumers, many manufacturers have protested the undercutting by online retailers. Micromax, which a year ago launched its Canvas 2 handset on Flipkart, is engaged in talks with e-retailers to resolve the issue. "We are dissuading the portals from discounting below the price provided by us. In case it continues we will be forced to terminate our partnership agreement," says co-founder Vikas Jain.

Some manufacturers have been more aggressive. Canon, for instance, is offering an 18-month warranty on cameras bought from its stores compared with one year on products purchased online. Canon India executives could not be reached for comment. The move has riled e-retailers. "How can you have differential warranty if a customer has bought a genuine product and paid full taxes? And how does it matter if the customer has bought it online or from a physical store," asks Devesh Rai, founding team member of ShopClues, an online marketplace. Rai adds that shops at Nehru Place in New Delhi, the go-to destination for computers and accessories, often sell products below the market operating price but consumers still get full warranty.

Online retailers defend the prices offered on their websites. Amazon.in said in an email that sellers on its website "independently decide" their product prices. "Customers of Amazon.in enjoy 100 per cent guarantee," it says. These retailers also seem to be ignoring the warnings. Even after the Lenovo notice, which also asks buyers to check the warranty status on Flipkart, Snapdeal and Amazon.in, the Lenovo Essential B490 laptop sold on Flipkart is offering a one-year warranty.

The dispute, however, has started denting the trust of online buyers. This is worrying given that the Indian e-commerce industry is still nascent. Shreya Narayan, a Mumbai-based actor who is an avid online shopper, recently bought her new mobile phone – an Apple iPhone 5S – from a retail shop after reading about warranty-related issues in newspapers. "I can't take a risk after spending half a lakh rupees to buy this phone," she says.

The pricing controversy notwithstanding, manufacturers agree they cannot ignore e-commerce companies. Online retailing is a fast-growing industry. Crisil Research expects it to grow 50 to 55 per cent annually to become a ₹50,000 crore industry by 2016. "It will be foolhardy to ignore online sales and online sites," says the handset maker founder quoted earlier without name. "But we will have to regulate them, as they are cannibalizing our offline business." ◆

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Smiling through tough times: Narendra Murkumbi, Vice Chairman and Managing Director, Shree Renuka Sugars

Blame it on Rio

The debt incurred from his Brazilian acquisitions forces Narendra Murkumbi to sell a stake in his Shree Renuka Sugars.

By AJAY MODI

SHREE RENUKA'S MARKET VALUE HAS FALLEN TO ABOUT ₹1,400 CRORE FROM OVER ₹7,600 CRORE AT THE START OF 2010

Between March and July 2010, Narendra Murkumbi acquired two sugar companies in Brazil in what was then hailed as a pioneering move. The twin debt-funded deals have now forced him to sell a stake in his flagship company, Shree Renuka Sugars, to Singapore-based agribusiness company Wilmar International.

Murkumbi started Shree Renuka Sugars in 1998 with a single mill acquired with help from cane farmers in Karnataka. Over the next decade, the company expanded rapidly and became one of the country's largest sugar makers. Murkumbi, Vice Chairman and Managing Director at Shree Renuka Sugars, became the poster boy of the sugar industry in India, the world's second-largest producer and bigger consumer of the sweetener. The decision to acquire two loss-making companies in Brazil was intended to spread business risk and capture a bigger share of the global market by establishing a footprint in the world's biggest sugar-producing nation. The company invested about ₹1,900 crore on the two acquisitions and also took on massive debt.

But Murkumbi's plans went haywire. In 2011, Brazil suffered a drought that hurt the cane crop. A global sugar surplus made matters worse. Shree Renuka Sugars could not improve capacity utilisation at the two companies, now known as Renuka Vale do Ivai and Renuka do Brasil, and continued to suffer losses. High interest costs on debt that now stands close to ₹8,700 crore – ₹5,200 crore for Brazil operations and the remaining in India – plunged the sugar maker deep into the red. The company's stock price has slumped as well, with its market value now close to ₹1,400 crore compared with more than ₹7,600 crore at the beginning of 2010, according to Bombay Stock Exchange data.

To ease the debt burden, Murkumbi tried

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CHANGING FORTUNES

Shree Renuka Sugars slipped into the red after its Brazil deals sharply raised finance costs

	2008/09	2009/10	2010/12*	2012/13
Total income	2,822	7,669	12,369	10,357
Finance cost	107	237	1,038	868
Net profit/Loss	223	703	-30	-374

Source: BSE

(Consolidated numbers in ₹ crore)

(*For the 18 months through March 2012. Until 2010, Shree Renuka Sugars, like most sugar companies in India, followed October-to-September as its financial year. It then switched to an April-to-March financial year)

THE COMPANY HAS TOTAL DEBT OF ABOUT ₹8,700 CRORE. THE DEAL WITH WILMAR WILL HELP IT CUT ITS DEBT BY ₹1,240 CRORE

to sell some assets including a power plant in Brazil, but didn't find any takers. With few options in sight, Murkumbi has now roped in Wilmar International in a complex deal. Wilmar first bought a 27.5 per cent stake in Shree Renuka for ₹517 crore through a preferential allotment of shares at ₹20.08 each. The preferential allotment reduced the Murkumbi family's stake to 27.5 per cent from 38.4 per cent. Both Wilmar and the Murkumbi family will also jointly invest ₹725 crore in a rights issue of shares. Overall, Shree Renuka Sugars will get about ₹1,240 crore, which it will use to reduce the debt in its Indian operations.

Post the preferential allotment, the Murkumbi family and Wilmar will jointly control the company. The family will continue to manage the company and involve Wilmar in strategic decisions. The stake sale to Wilmar has also triggered a mandatory open offer according to Indian capital-market regulations. Wilmar and the Murkumbi family have jointly offered to buy up to 26 per cent from public shareholders at ₹21.89 per share, or a total of about ₹532 crore.

According to a public statement announcing the open offer, Wilmar's stake in Shree Renuka Sugars would rise to 40.5 per cent if the Singapore company and the Murkumbi family each acquire half of the shares tendered in the offer. But if Wilmar purchases all the shares tendered, its stake in the sugar maker could climb to 49.5 per cent while the Murkumbi family would hold 29.9 per cent. A company executive, however, clarifies that the Murkumbi family and Wilmar will own equal stakes in the company once the entire exercise is complete and that the 49.5 per cent stake mentioned in the public announcement is a "hypothetical" scenario.

Murkumbi told *Business Today* there is a lot of synergy between Shree Renuka Sugars and Wilmar and the deal has strategic implications for the Indian company. "We continue to look at ways to further reduce our debt," he added. Deven Choksey, CEO of broking firm K.R. Choksey, agrees that Shree Renuka Sugars will share synergy with the Wilmar, which has a presence in the sugar business in Australia, New Zealand, Indonesia and Morocco. "However, the deal is more relevant for Wilmar since it gets an entry to the world's biggest sugar consumer... This could also be the beginning of a consolidation phase in the Indian sugar industry since there are several smaller players," he adds.

Still, the deal has failed to cheer retail investors. In the four trading days prior to the announcement of the deal on the evening of February 20, the stock had gained more than 13 per cent to ₹22.50. But, as the open offer price was set at ₹21.89, the stock fell 10 per cent intraday on February 21 and is now trading around ₹21. "One does not expect a promoter to give strategic control to another company at a price lower than the market price," says investment advisor S.P. Tulsian.

Tulsian blames the company's venture into Brazil for its problems and says the sugar maker could have raised a similar amount by selling one or two assets. But a former director with a top sugar company also disagrees with Tulsian. "Indian sugar companies have not attracted any investment even though valuations are low," says the executive, who does not want to be named. "Renuka Sugars had few options in the current circumstances." ◆

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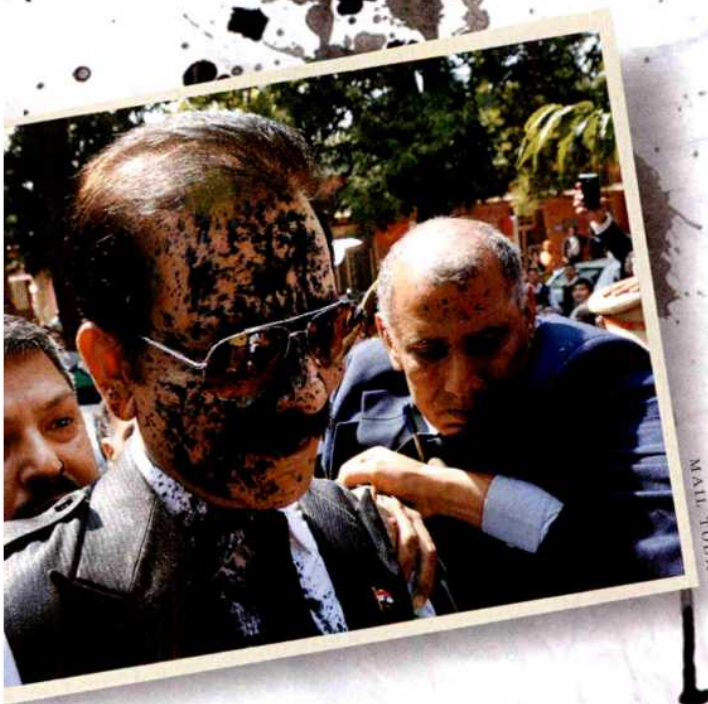


MAIL TODAY

Manoj Sharma got Subrata Roy on March 4, as the Sahara chief was produced in the Supreme Court after being arrested by the Lucknow police four days earlier. But the chubby ink thrower from Gwalior missed many others. The case of Satyam's B. Ramalinga Raju, arrested in January 2009, of Pyramid Saimira Theatres' P. S. Swaminathan, arrested five months after Raju, and of Britannia's Rajan Pillai before them, who died in Tihar Jail in 1995, may be distant memories. But at least four businessmen were arrested in 2013 alone, and another two the previous year

Graphic by **Anand Sinha** Reaserch by **Niti Kiran** and **Jyotindra Dubey**

Subrata Roy

Managing Worker, Sahara India

WHEN
Supreme Court on February 26 issued a non-bailable warrant against Roy for failing to appear before it in person. Arrested by Lucknow police on February 28

WHY
A multibillion-dollar Sahara investment scheme was later ruled to be illegal

WHAT HAPPENED
Roy said Sahara would sell assets to pay **₹22,500 crore** it owes investors

Rajesh Agarwal

Co-founder and Director, Micromax Technologies

WHEN
Arrested in August 2013

WHY
Caught allegedly paying a **₹30 lakh bribe** for having a building owned by him recognised as legitimate

WHAT HAPPENED
Granted bail

Williams S. Pinckney

Chairman and CEO, Amway India

WHEN
Arrested in May 2013

WHY
Charged with financial irregularities

WHAT HAPPENED
Granted bail in May 2013

ILLUSTRATIONS AJAY THAKURI

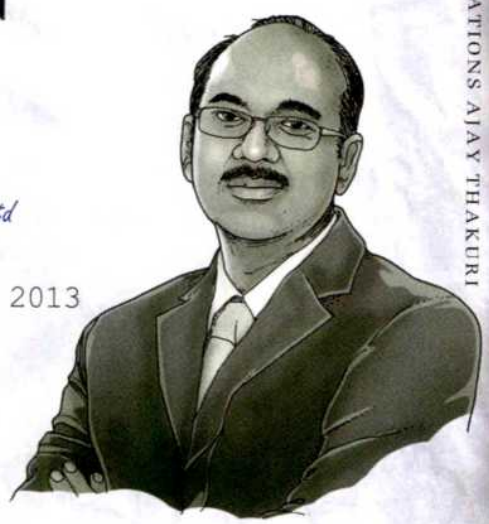
Anjani Sinha

CEO, National Spot Exchange Ltd

WHEN
Arrested in October 2013

WHY
₹5,574 crore
settlement crisis at the exchange

WHAT HAPPENED
Bail rejected in February 2014



Sudipto Sen

Group Chairman, Saradha Group

WHEN
Arrested in Kashmir in April 2013

WHY
Collapse of a Ponzi scheme run by Saradha

WHAT HAPPENED
Sentenced to three years' imprisonment in February 2014

Subhinder Singh Prem

Managing Director, Reebok India

WHEN
Arrested in March 2012

WHY
For his alleged involvement in a
₹870 crore
fraud in the company

WHAT HAPPENED
Granted bail in July 2013

WIDE SPECTRUM

The ranks of those arrested were bolstered by the so-called 2G spectrum scam of 2011

Shahid Usman Balwa

Director, Swan Telecom Pvt Ltd
In February 2011, on charges of criminal conspiracy, cheating and forgery

Asif Balwa

Brother of Shahid Balwa, and Rajiv Agarwal from Kusegaon Fruits & Vegetables Pvt Ltd
In March, alleged to have paid a bribe of nearly ₹214 crore to former telecom minister A. Raja

Vinod Goenka

Director, Swan Telecom Pvt Ltd
In April, for criminal conspiracy, cheating and forgery

Others (all charged with abetment to cheating, bribing government servants and forgery)

Sanjay Chandra

Director, Unitech

Gautam Doshi

Group MD, Reliance ADAG

Hari Nair

Company Secy, Reliance ADAG

Surendra Pipara

Senior VP, Reliance ADAG

Sharad Kumar

Managing Director, Kalaignar TV

Facebook Goodies

App Name: Paper; **Cost:** iOS, Free

Paper by Facebook is a combination of Facebook feeds and news about your favourite topics. The interface is similar to that of the Flipboard app. It has a tile interface showcasing the standard Facebook feed. But setting up the app also brings live feed from Facebook and adds 10 news categories, of which you choose the ones you want. Officially, this free app is not yet available for download outside the US. But some enterprising brains in India have found a way to do so.

A PERSONALISED NEWS APP, A GAMING TABLET AND THE LATEST AMAZON EBOOK READER

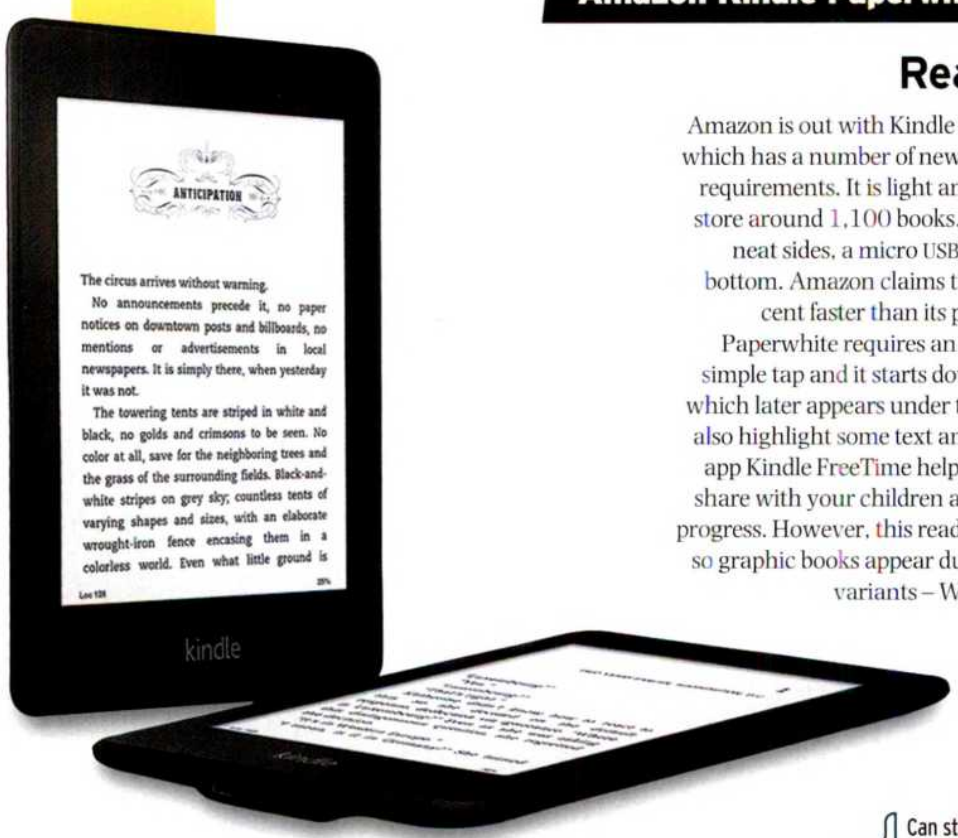
Raising the Game

Xolo and Nvidia's new 7-inch tablet, the Tegra Note 7, touted as the world's fastest tablet, will delight hard-core gaming enthusiasts. But the design is not particularly exciting and it is heavy to hold at 320 gram. The tablet is powered by Android 4.2.2 OS. Nvidia's Tegra Zone app store is pre-installed. Games downloaded from Tegra Zone run smoothly, even heavy ones such as Real Racing 3, Asphalt 8 and Shadow Gun. But the device heats up fast. The tablet also comes with a stylus that can be used with the Nvidia Direct Stylus. It has two apps – draw and write. There are two speakers in front and a camera at the back. It has good battery backup that lasted a whole day despite hours of gaming, web browsing and video playback.

Performance, Gaming

Design

Xolo Tegra Note 7 **Price:** ₹17,900



Amazon Kindle Paperwhite **Price:** ₹10,999*

Reader's Delight

Amazon is out with Kindle Paperwhite 6th generation, which has a number of new apps to suit different reader requirements. It is light and convenient to hold. It can store around 1,100 books. It has a 6-inch display with neat sides, a micro USB port and a power key at the bottom. Amazon claims that the new reader is 25 per cent faster than its predecessor. Configuring the Paperwhite requires an Amazon ID on the device. A simple tap and it starts downloading the book sought, which later appears under the 'On Device' tab. One can also highlight some text and share it on Facebook. The app Kindle FreeTime helps you decide which books to share with your children and even helps monitor their progress. However, this reader does not support colours, so graphic books appear dull on it. It is available in two variants – Wi-Fi only and Wi-Fi with 3G.

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Graphic books appear dull

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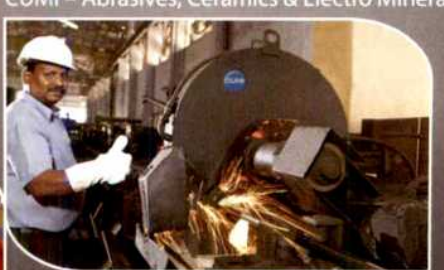

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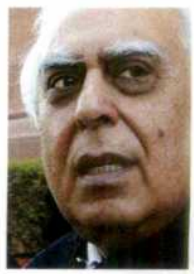
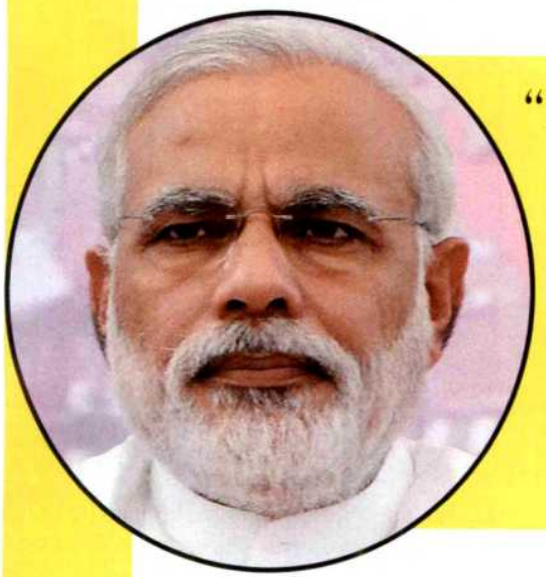


"We are ready for elections, have always been ready for elections. We have been ready for the last five years"

Kapil Sibal, *Union Law Minister and Congress leader, to* ABP News



"Poll bugle has been sounded. Congrats to the people of India on the commencement of the biggest festival of democracy"

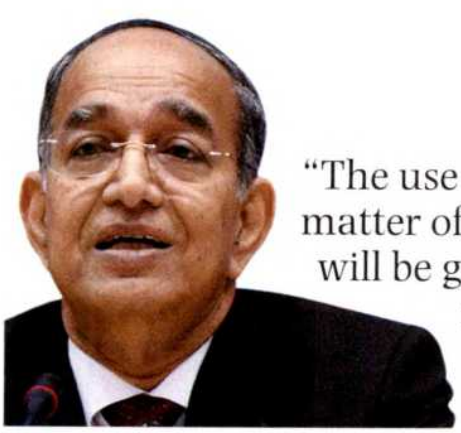
Narendra Modi, *BJP prime ministerial candidate, on Twitter*

"It (the decision) will help the capitalists and large political parties who have enough money and can spend crores for their election. The decision will put poor political parties like ours in a disadvantageous situation"

Mamata Banerjee, *Chief Minister of West Bengal, on Facebook*

"WE ARE OT HAPPY WITH THE INCREASE IN LIMIT OF EXPENDITURE FOR LOK SABHA ELECTIONS"

Sitaram Yechury,
CPM politburo member, to wire agencies



"The use of money power is a matter of concern. Special emphasis will be given to check the use and flow of money during the election process"

V.S. Sampath, *Chief Election Commissioner of India, to wire agencies*

Why So Serious

A village school teacher in Anglesey, North Wales, called in police to warn students who, she believed, planned to 'spoil' their annual group photograph by not striking the acceptable pose. Ann Hughes had heard that some children were planning to remain grim or make faces when the camera clicked. Now she has a complaint lodged against her with the Professional Conduct Committee in Wales for her conduct.

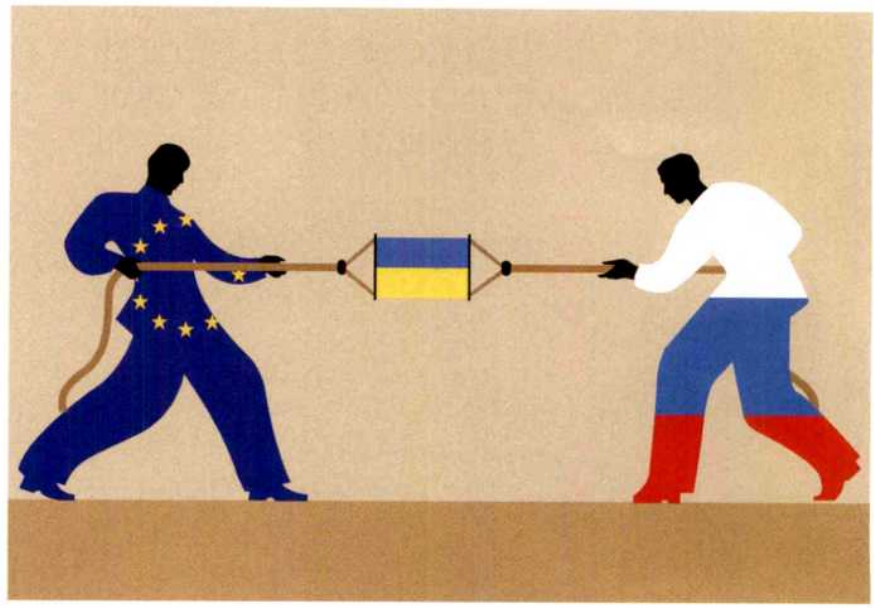
Fast Mover

The Hennessey Venom GT has hit the highest speed ever for a production car: 270.49 miles per hour. Venom beats the previous best record of 269 mph set by Bugatti Veyron Super Sport. But the Venom GT won't be entering the Guinness World Record book just yet because the makers have taken it on just one run, and for a record to stand the driver has to go on more than that.

Black East

The rise and fall of the Aam Aadmi Party (AAP) government in Delhi has led to many development projects being stalled. The worst affected is east Delhi as the AAP government disbanded the Trans-Yamuna Area Development Board, keen to bring in the Delhi Nagar Swaraj Bill, which would allow citizens to approve projects. Projects worth around ₹35 crore, ranging from redevelopment of a lake in the Jheel area to construction of community centres, schools, dispensaries lie in limbo

HOW THINGS WORK



RAJ VERMA

Cold War Redux

The crisis in Ukraine, which has persisted for over three months and brought down the government of President Viktor Yanukovych, has led to the biggest standoff between Western Europe and Russia since the Cold War. A primer on the situation:

The Region: Ukraine lies in Eastern Europe with Russia to its east and Poland, Hungary and Slovakia to its west. Once part of the Union of Soviet Socialist Republics (USSR), it became independent in 1991 after the USSR's collapse. But Russia continues to exert great influence over its affairs. Ousted President Yanukovych was a staunch Russia ally.

The Crisis: Protests erupted in the capital Kiev in late-November last year after the Yanukovych government rejected a treaty with the European Union that would have made Ukraine an associate of the EU, bringing it cheap loans and aid. Russia had opposed Ukraine's move and offered better terms, leading to Yanukovych opting out. Strong police action against the protestors – especially on February 20-21 when 77 people were killed and around 600 wounded – fuelled further protests across the country. Meanwhile, the Ukrainian Parliament voted out Yanukovych's government. The Speaker, Oleksandr Turchynov, has taken over as interim president.

The Politics: Ukraine is a divided country with much of the west seeking closer ties with Western Europe, while the east, which has a large proportion of ethnic Russians, preferring Russia. It was westerners who made up the bulk of protestors. Russia has been seeking to expand its influence by setting up a customs union as rival to the EU and believes Ukraine must be a part of it. There are reports of Russia already having sent troops into the eastern Crimea region of Ukraine.

The Importance: Ukraine's strategic position is crucial for both Russia and Europe. Russia supplies about 25 per cent of Europe's gas needs, and half of that is pumped via pipelines running through Ukraine. The country is also one of the world's top exporters of corn and wheat, and prices of these commodities could rise even on concerns of exports reducing or coming to a halt.

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Lost in Communication

Why the selling of Brand Rahul Gandhi has not been a success so far. By SHWETA PUNJ

In 1999, Rahul Gandhi, then 29, accompanied his mother Sonia Gandhi to a Congress party rally in Hisar, Haryana. While the leaders sat on the stage, Rahul was a bystander, preferring to absorb the hustings' atmospherics. Barely was the rally underway, he was seen lifting a white plastic chair from the crowd and taking it to the stage for Kartari Devi, a Congress legislative party leader who was standing on stage.

Empathy is a trait in the Gandhi scion that stands out strongly in his years in public life, but little else in the persona of Rahul, the politician, is clear. In a recent interview with Arnab Goswami, an incisive and loud newscaster, the Congress party vice president was forthright for most parts but that was about it. He came across as inexperienced, with a limited worldview in realpolitik, and as an interviewee lacking in panache, street smarts or the ability to steer a conversation his way – all important ingredients in the making of a politician brand.

"What is Brand Rahul? The pitch is not clear," says Rasheed Kidwai, author and Sonia Gandhi's biographer, who was present at the Haryana rally, and has closely traced the journey of Rahul Gandhi as a politician. "In one-on-one he seems quite on the ball," says a well-followed communications expert, discounting a widely-held view that Rahul is a novice when it comes to getting his ideas across to the public. A Delhi-based brand consultant, requesting anonymity, describes Rahul as open to new ideas and somebody who comes up with ideas that may seem out-of-the-box but are well thought-out. Almost everyone *BT* spoke with among those who have worked with Rahul agrees there are layers and layers to the personality of the Congress leader.

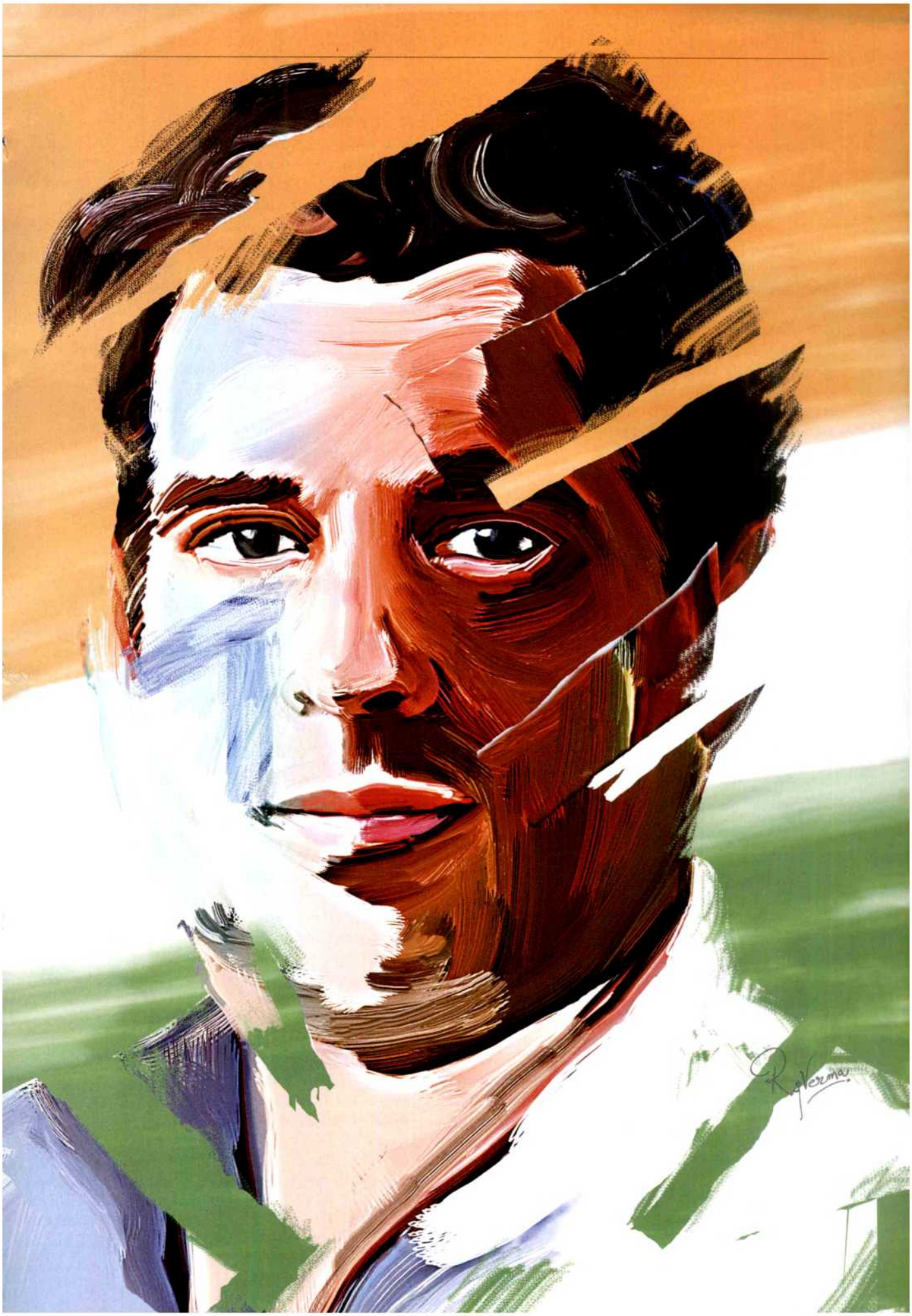
Rahul's ad blitz, said in some quarters to top ₹500 crore in spending, has been written off already by brand experts as half-thought out, irrelevant, disjointed and late in its build-up. "They have successfully managed to keep the youth aspect alive but they are not playing it up enough," says image manager and Founder of Perfect Relations, Dilip Cherian. "He comes across as a young leader who is promising introspective change, while Modi is promising bigger and faster change."

Another communications expert, Santosh Desai, says a brand is essentially "an idea that you deliver, which connects with people at a human level". He says the lack of a strong narrative makes the question 'What is Rahul Gandhi' difficult to answer. Rahul is trying to present himself as someone who is imagining a new kind of politics, a grassroot leader, a leader for women and youth. "These points are not coming across forcefully, the current campaign is context-less," adds the Managing Director and CEO of Futurebrands India.

Spineless Laity

The groundwork and mechanics of building up a brand – in this instance, in the run-up to the general elections starting April 7 – has failed Rahul, too. The campaign kicked off only in December 2013, by when the Modi juggernaut was in traction in the public consciousness. Until then "Gandhi was busy campaigning in the states," says the Delhi consultant quoted earlier without name.

It doesn't help that in a party steeped in dynasty, almost no one steps up to correct the younger Gandhi on decisions like the hour-long interview with Goswami of



Times Now. Even today, few in the party will admit openly that the interview was a blunder. "At such a decisive time, it is unforgivable to do an 80-minute interview. Make it crisp, frame it, engineer it," says Desai.

Rahul's sporadic outbursts come across as incohesive and often amateurish. Whether it is tearing up of the bill shielding convicted lawmakers and calling it "nonsense" at a press meet, or trying to push through anti-corruption legislation through an ordinance, it shows lack of experience and absence of understanding of how to navigate the system. There was also an opportunity for the Congress party to co-opt the Jan Lokpal movement. "It was an opportunity served to him on a platter. He made a last minute school boy intervention. That was a big mistake," says Desai.

"You have to be consistent as a leader, you have to be predictable... the most difficult thing is to follow an unpredictable leader," says Pradeep Kashyap, Founder of MART, and an established rural marketing veteran in India. "Every time he has come forward it has seemed like a knee-jerk reaction."

When compared to Modi, who has his track record in the state of Gujarat as administrative credentials, Rahul has little to show for the work he has done in the last 10 years, except changes he has brought about within the Youth Congress. "Where is his success story," says Kidwai. Rahul's father, the late Rajiv Gandhi, "was younger than (Rahul) when he became Prime Minister. He was a professional with two children. And, while he was initially reluctant to take on the mantle, Rajiv Gandhi took no time in rolling up his sleeves and getting down to work," says the Sonia biographer. Rahul's absence from the party office and patchy participation in Parliament debates don't go down well with the younger cadres of his party either.

Strangely, Rahul, a technology enthusiast, is not on social media and a petition floated by 'Friends of Congress' requesting him to join Twitter has gone unheeded. In doing so, he has squandered opportunities that could have given voters a glimpse into his thought-process and avoided publicity goof-ups. For instance, Rahul had no clue about Congress leader Mani Shankar Aiyar's jibe at Modi's early days as a tea seller at a party meet in Jaipur in January until three hours after the controversial remark.

Fuzzy Logic

The 4 Ps of marketing as applied to Brand Rahul Gandhi:

Product: Is he a grassroots leader? Is he a champion of women and youth? Or is he someone who can resolve industry/economy-related issues? ***Not clear***

Promotion: Is he consistent in his message? Does he have a clear view on policies? Do his interactions make people feel they can rely on him? ***Not clear***

Place: Is he available where and when people want him? ***Not clear***

Price: What will people gain by voting for Rahul Gandhi? ***Not clear***

A Newcomer Shows How

Aam Aadmi Party's brand carefully engineered by its leader Arvind Kejriwal shows up the opportunity missed by Brand Rahul. Kejriwal created a brand out of almost nowhere in a year with a clever choice of brand props. "It's a powerful idea brought to life by everything the party does – its symbol, *Jhaadu*, to its caps," says Desai. *Jhaadu* is broom in Hindi.

Kejriwal gets photographed with sweat beads on his face to deliver the message of him being a doer. Modi's pictures project an authoritarian figure. Rahul's image is less unambiguous – he has not been able to shed his *baba* image. In Hindi, *baba*, used in this context, refers to the young born into rich and influential families.

To be sure, Rahul has been holding meetings with small groups of porters, women, rickshaw pullers and students across the country giving out the message that he is a leader who doesn't talk down from a podium. His overall strategy of projecting that he was never in power and is an outsider is flawed because it does not account for his lineage, say brand experts.

Much of Rahul's problems with his brand can be traced to his being an introvert because of which he has not been able to make the connect with his audiences. "By nature, Rahul tends to be very private and he is most collegial with people he is close to and that's a small group," says Cherian of Perfect Relations. In contrast, Modi, who is holding similar conversations, branded 'Chai Pe Charcha', plugging into Indians' fondness for tea while subtly reinforcing the BJP leader's climb from modest beginnings, instantly grabs the attention of people, whether they agree with his politics or not.

Congress insiders promise the next stage in the Rahul and party campaign will be more focused in its messaging and tailored to specific target groups. Meanwhile, Brand Rahul seems to be stuck in a vortex of legacy, what he wants to be, and what his party and spin doctors want him to be. The evolution of a definitive brand, it seems, may be a tad late in the making for this general elections. "Rahul Gandhi is a product that is making a claim that I am in R&D mode," says Sunil Alagh, Chairman of SKA Advisors. "Modi is a *chai-biscoot* man, part of our daily life. Rahul Gandhi is a chocolate biscuit brand – and I don't need chocolate today." ◆

ADDITIONAL REPORTING BY ANILESH S. MAHAJAN

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THE PARTY IS ON

Political internships are the flavour of the month ahead of the election.

By ARUNIMA MISHRA

Typically, management students like to spend their summers interning with high-profile global financial consultants. But not Abhishek Padhye, a 25-year-old business management student at XLRI Jamshedpur. Padhye has opted for a summer internship with the Congress party in Delhi ahead of the general election this year. He already has a degree from the Indian Institute of Technology, Roorkee, and three years of corporate experience with Tata Steel in the bag. But he says he wanted something new: "You don't get to experience a general election often. Moreover, I want to be part of the policy-making process."

Political internships are common in the West, but the concept has caught on only recently in India, especially in the run-up to the 2014 general election. In the past year, an increasing number of students from business schools to engineering and medical colleges have signed up to intern with the country's biggest political parties as they work on their strategies and draft their manifestos. Some digitally-savvy young interns are helping with social media planning as online campaigning gathers pace in the country. "These days we can see a new trend where lots of B-school students are showing interest in interning with political parties and government agencies. In the ongoing summer placement process at various B-schools, many students are choosing this option," says Sidharth Agarwal, Director, Spectrum Talent Management, a headhunting firm.

Most of the country's big political parties are hiring interns as they head for the polls this year. The Trinamool Congress will recruit two interns from the Indian Institute of Management Calcutta to help with communication strategies in the election. The Bharatiya Janata Party (BJP) has also hired 40 to 50 interns over the past two to three months, in addition to over a million volunteers, says Arvind Gupta, National Head, Information & Technology, BJP. "Our interns work in areas of research, content and social media. They are from all universities across India – a mixture of graduates and undergraduates – and a few from overseas colleges."

Apart from interns, the BJP also has help from many members of a non-profit organisation called Citizens for Accountable Governance (CAG). Ashwini Anand Pillutla, a 29-year-old banker, has taken a break from his career to help set up CAG with 59 other founders.

BJP: It has hired 40-50 interns from universities to work in research and social media

SHEKHAR GHOSH

Political sweepstake: A group of volunteers at the AAP office in Delhi's Malviya Nagar constituency

AAP: It has selected 60-70 interns to work on electoral analysis, social media and carry out surveys

He worked with Barclays Capital and Merrill Lynch before starting his own venture, to help the BJP prime ministerial candidate Narendra Modi. "We support Modi as a candidate and we are doing campaign work. We at CAG decided to support the BJP's prime ministerial candidate as we analysed the growth of Gujarat in terms of infrastructure, power and ports. In a democracy, you have to take sides and we went with the BJP," he says.

CONGRESS: It has a management student who will intern with the party to participate in policy-making

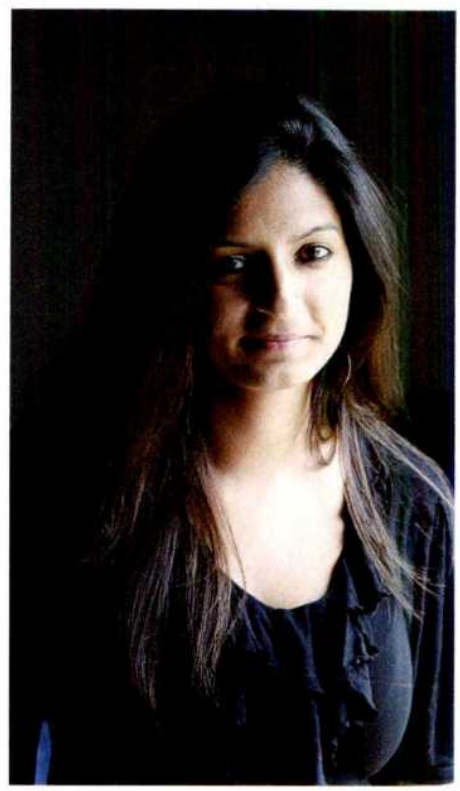
The Aam Aadmi Party (AAP) may be the new kid on the block, but it has already clambered aboard the political intern bandwagon. The party has hired around 60 to 70 students from varied backgrounds such as medicine and engineering since December last year. "We hired 15 to 20 interns every 15 days and they worked with coordinators in the legal team, on electoral analysis, with social media, and conducted door-to-door surveys. They gave 20 hours a week for AAP, without any pay-

SAANYA GULATI/ Research and Outreach Manager/ I for India

"The fellowship gave me a unique opportunity to observe how a member of Parliament works"

ment," says Nitin Singh, a software engineer and part of the AAP's Mumbai committee which handles social media for Maharashtra. Gaurav Gupta, an AAP volunteer from Delhi, says students from foreign universities intern for a longer period.

How does a political internship help a young person's career? Job consultants say it adds considerable value to a resume. "Political interns will be looked at more positively. A stint with a political party will only add value to a resume as it will show that the professional is motivated by the larger objective of the welfare of the country," says Rajiv Burman, Managing Partner at executive search firm Lighthouse Partners.



Analysts say no corporate experience can match that gained from working on political campaigns and public engagement strategies. The exposure helps students during their final placements as campaigning provides valuable lessons in strategy, data analysis, financial planning and marketing strategy. "A finance student will get a practical understanding of fund-raising and spending, which is a crucial activity for every political party. Similarly, a marketing student gets ample opportunity to learn and contribute in the area of marketing and strategy," says Spectrum Talent Management's Agarwal.

Some think-tanks also offer political fellowships that provide an opportunity to work for political parties. For instance, PRS Legislative Research offers the Legislative Assistants to Members of Parliament (LAMP) fellowship to create a platform for young Indians to engage with policy-making at the national level. The person works as a legislative assistant with a member of Parliament for 11 months from the beginning of the monsoon session to the end of the budget session. The LAMP fellow provides extensive research support through his/her parliamentary work during the fellowship period. The fellows get a stipend of ₹18,000 a month. "From just 12 LAMP fellows for 2010/11, the programme was expanded to over 40 fellows each year. It has received over 1,000 applications this year," says S. Jayakumar, LAMP Coordinator at PRS Legislative Research.

Saanya Gulati, Research and Outreach Manager, I for India, which generates performance report cards for elected representatives based on user ratings, says the LAMP fellowship has helped her a lot. It provides an opportunity for fresh graduates interested in politics to gain exposure in the field. "My current assignment enables me to leverage my experience at LAMP in terms of my understanding of challenges facing India's public sector. The LAMP fellowship gave me a unique opportunity to observe how a member of Parliament works," she says.

Some universities also offer short-term programmes that enable young people to work closely with politicians. Haryana-based Ashoka University has a Young India Fellowship programme under which four students intern with political parties or political leaders every year. "As the founding batch of the Young India Fellowship programme, we were all set to find something offbeat for our eight-month experiential learning module," says Kshitij Garg, a fellow from the founding 2011/12 programme. "The development office of MP Naveen Jindal and its work in Kurukshetra, Haryana, was an appealing opportunity." ◆

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Trinamool Congress: It will recruit two interns from IIM Calcutta to help with communication strategies

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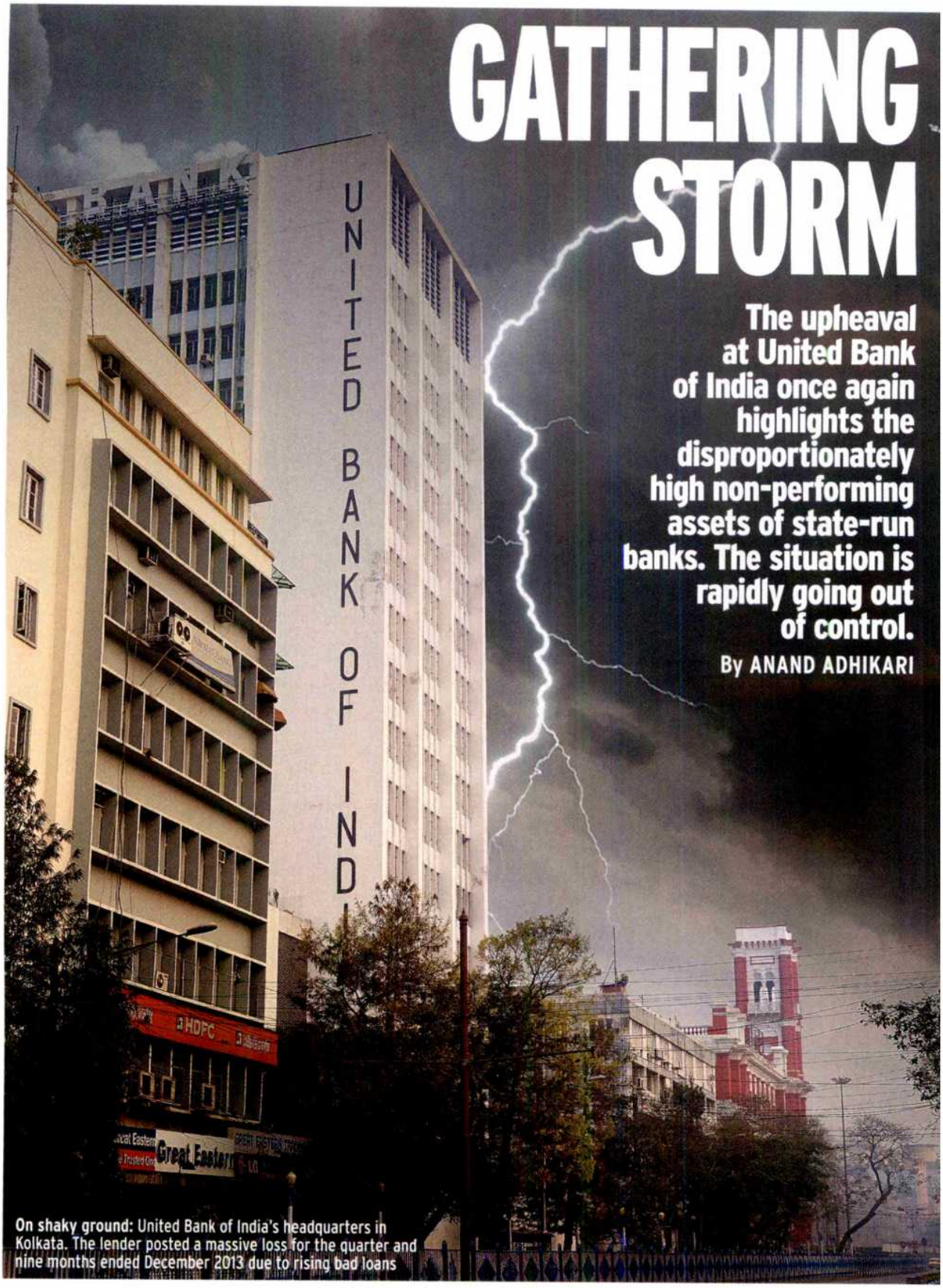
GATHERING STORM

The upheaval at United Bank of India once again highlights the disproportionately high non-performing assets of state-run banks. The situation is rapidly going out of control.

By ANAND ADHIKARI



On shaky ground: United Bank of India's headquarters in Kolkata. The lender posted a massive loss for the quarter and nine months ended December 2013 due to rising bad loans

PHOTO: SUBIR HALDER; IMAGING: RAVI REDDY

In October last year, Kolkata-based UCO Bank highlighted its "turnaround story" in an investor presentation. The state-run bank told investors that it had managed to overcome the challenges it faced three years earlier of worsening asset quality. The bank had strengthened its risk management practices and improved its credit monitoring systems, it said. What it didn't say was that its gross non-performing assets (NPAs) at more than five per cent of advances were among the highest in the Indian banking industry.

A few kilometers away from UCO Bank's headquarters is the main office of United Bank of India (UBI), another state-run lender that is now at the centre of a storm triggered by a surge in bad loans. On February 7, UBI reported a net loss of ₹1,683 crore for the nine months ended December 31, 2013, compared with a net profit of ₹361 crore a year earlier. Barely a fortnight later, the bank's chairperson and managing director Archana Bhargava resigned after only 10 months into the job. Bhargava had been trying to sort out the mess of bad loans and had stopped the practice of restructuring doubtful debts, but eventually quit as the problem spiralled out of control.

The story of these two lenders highlights the deep NPA mess in the banking sector. The two banks, like many others, rapidly expanded their loan books on the back of high economic growth in the initial years of the last decade until the 2008 global financial meltdown reversed the trend. The situation has turned worse in the past two years as a sharp economic slowdown and high interest rates led to defaults by companies that had borrowed heavily to expand their businesses during the boom years.

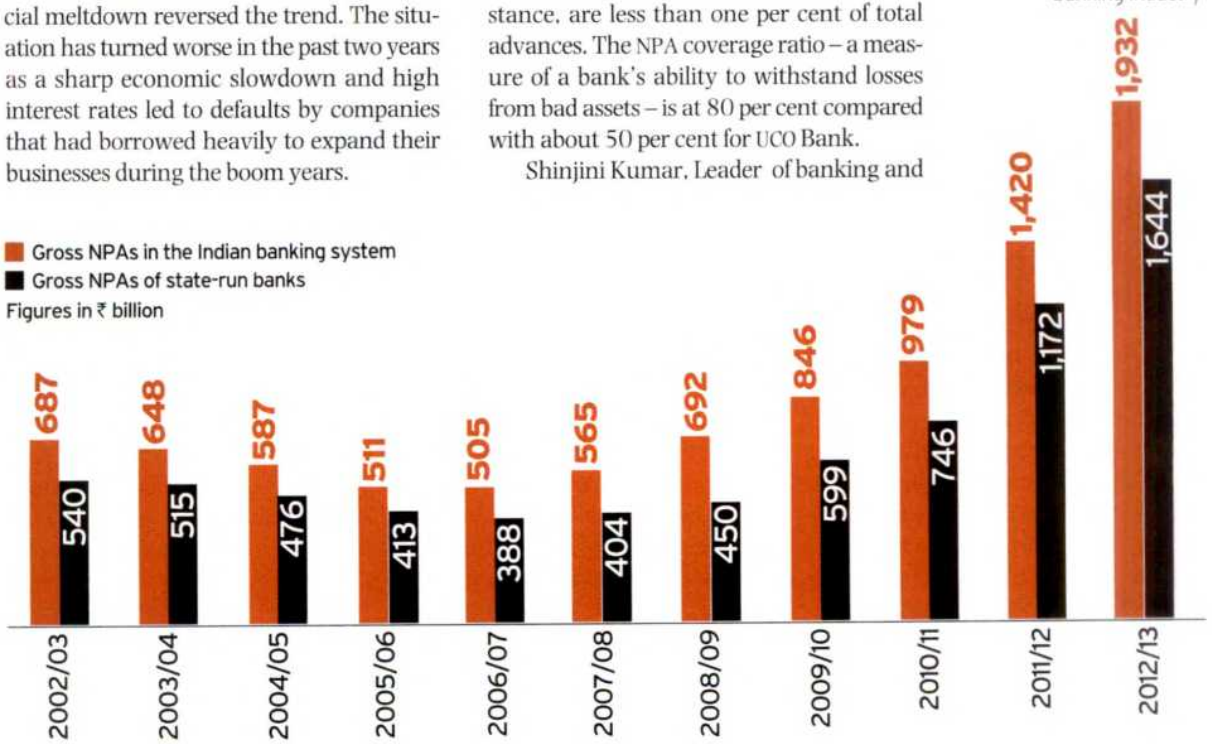
Gross NPAs of domestic banks jumped to 4.2 per cent of total lending by the end of September 2013 from 3.6 per cent six months before, according to the Reserve Bank of India (RBI). Bad loans could climb to seven per cent of total advances by March 2015, the RBI warned in a report in December. In absolute terms, gross NPAs are estimated to touch ₹2.50 lakh crore by the end of March this year. This is equal to the size of the budget of Uttar Pradesh. The biggest chunk of the soured debts is with state-run banks, which account for two-thirds of loans but 80 per cent of the bad assets. The government is keeping a tab on the matter. On March 5, Finance Minister Palaniappan Chidambaram reviewed the performance of state-run banks and said that controlling bad loans was their biggest challenge.

Besides UBI and UCO Bank, many other state-run lenders are struggling with bad loans. A case in point is Mumbai-based Central Bank of India. The bank's former chairman, M.V. Tanksale, had targeted to control gross NPAs below four per cent in 2013/14 but that looks highly unlikely considering bad loans touched 6.48 per cent of total lending for the nine months through December. Allahabad Bank is also facing the heat as the RBI has ordered a special audit of the Kolkata-based lender. Canara Bank and Oriental Bank of Commerce have the highest portfolios of restructured corporate loans. Private-sector and foreign lenders are better placed. Gross NPAs at HDFC Bank, for instance, are less than one per cent of total advances. The NPA coverage ratio – a measure of a bank's ability to withstand losses from bad assets – is at 80 per cent compared with about 50 per cent for UCO Bank.

Shinjini Kumar, Leader of banking and

Worrying Signals

State-run lenders account for a majority of bad loans in the Indian banking industry



capital markets practice at PricewaterhouseCoopers, says there are concerns regarding governance, decision making, credit appraisal and human resources at state-run banks. "We have to start asking why some banks are performing worse than others," she says.

Bankers say there is a lack of rigour in loan appraisal systems and monitoring of warning signals at state-run banks. This is particularly true in case of infrastructure projects, many of which are struggling to repay loans. RBI Deputy Governor K.C. Chakrabarty said recently state-run banks lacked expertise in evaluating such projects. There are also instances of asset-liability mismatches as banks mostly attract short-terms deposits while lending to infrastructure is typically for 20 to 30 years.

The NPA mess is not entirely because of the reversal of economic cycles. Indiscriminate lending by some state-owned banks during the high growth period between 2003/04 and 2007/08 is one of the main reasons for the deterioration in asset quality. "The increase in stressed assets could be attributed in part to the macroeconomic slowdown as well as to the excesses of the boom period manifested in terms of excessive leverage," says Abizer Diwanji, National Leader for financial services at consulting firm E&Y India. UBI, for instance, was growing at over 30 per cent. But nobody raised concerns over the rapid growth at a bank which was classified as "weak" by the RBI in 1999 because it was surviving mainly on capital infusions by the government.

While the slowdown that began in 2008 impacted most banks, private-sector and foreign lenders learnt their lessons quickly. But many state-run banks failed to assess the impact of the slowdown on their corporate borrowers. "They failed to notice the debt overhang in some large corporate houses," says a private-sector banker. One such corporate house is Lanco Group. The infrastructure company had a debt of ₹39,034 crore with a debt-to-equity ratio of 9.4 in March 2013, shows a study by investment bank Credit Suisse. UBI is one of the lenders to Lanco.

RBI Governor Raghuram Rajan is pushing banks hard to control bad loans. Rajan has announced measures for early detection of stressed assets, greater discipline and monitoring by lenders either through coordination with others or through internal processes. Cyril Shroff, Managing Partner at legal firm Amarchand & Mangaldas & Suresh A. Shroff & Co., says the RBI framework is "a definite positive step" as it emphasises not only the need for greater coordination among lenders but also asks them to work jointly rather than individually.

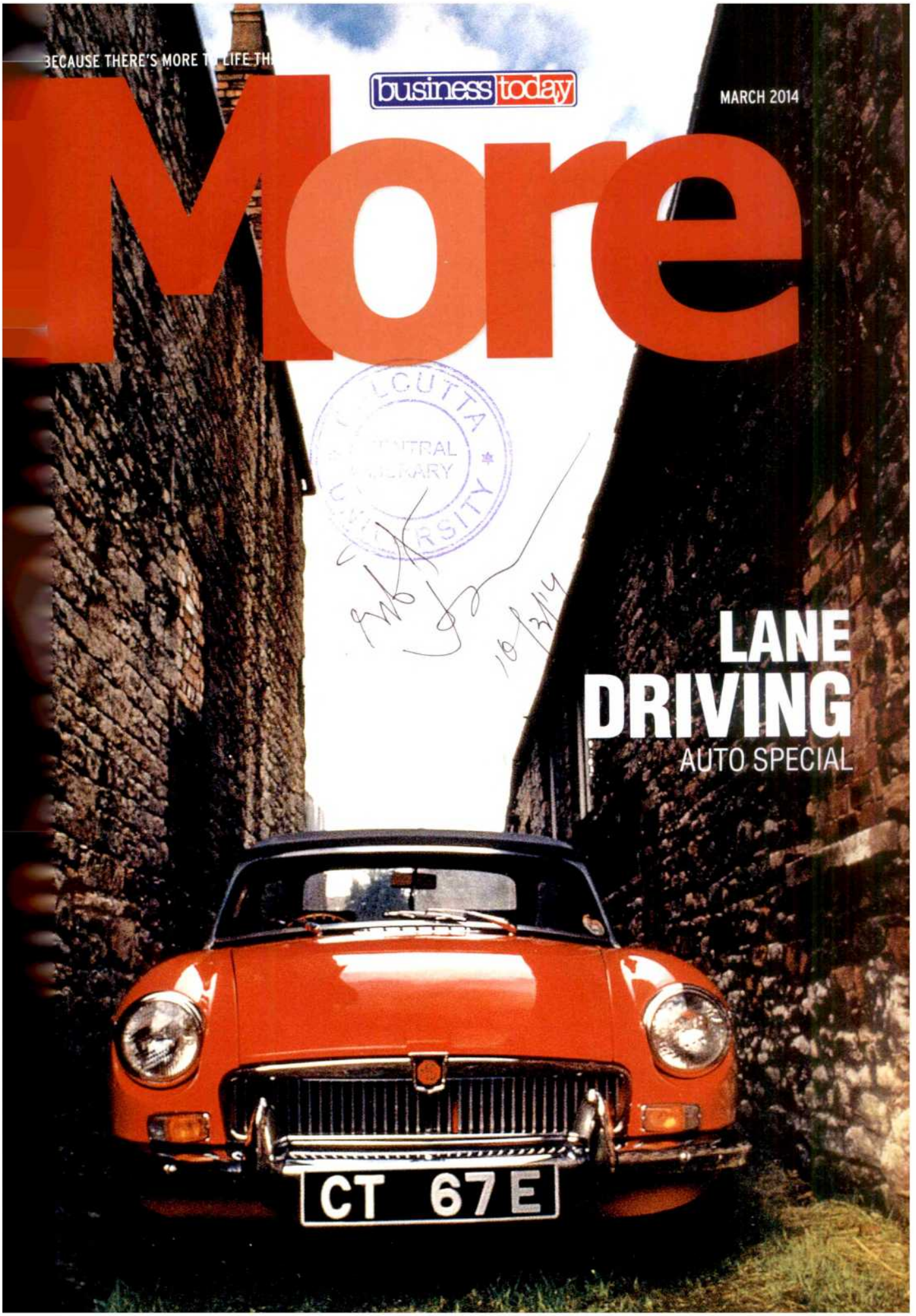
RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Turnaround man: Nikhil Shah, Senior Director at Alvarez & Marsal, a professional services firm that helps banks turn around stressed assets, at his Mumbai office

"The government is contributing to banks' capital but it is ultimately taxpayers' money"

Many say one of the key reasons for the worsening situation at state-run banks is the absence of effective leadership. "The practice of air dropping chairmen from other banks with short tenures is the main culprit," says a banker, who does not want to be named. This banker cites the example of ICICI Bank's K.V. Kamath and HDFC Bank's Aditya Puri, who have led the two relatively healthy lenders for many years. The story is quite different in state-run banks. Consider the case of UBI. In November 2008, S.C. Gupta joined UBI as chairman and managing director. Gupta came to UBI from Bank of Baroda, where he had most of his career. When his tenure ended in April 2010 the government could have named his deputy, T.M. Bhasin, as his replacement. Instead, Bhasin was made chairman of Indian Bank and Bhaskar Sen was roped in from Union Bank of India to take Gupta's place at UBI. Sen was then replaced by Bhargava, who was earlier with Canara Bank.

Many suggest the government should consider promoting executive directors as chairmen of the same banks rather than transfering them to other banks. Leadership at the mid-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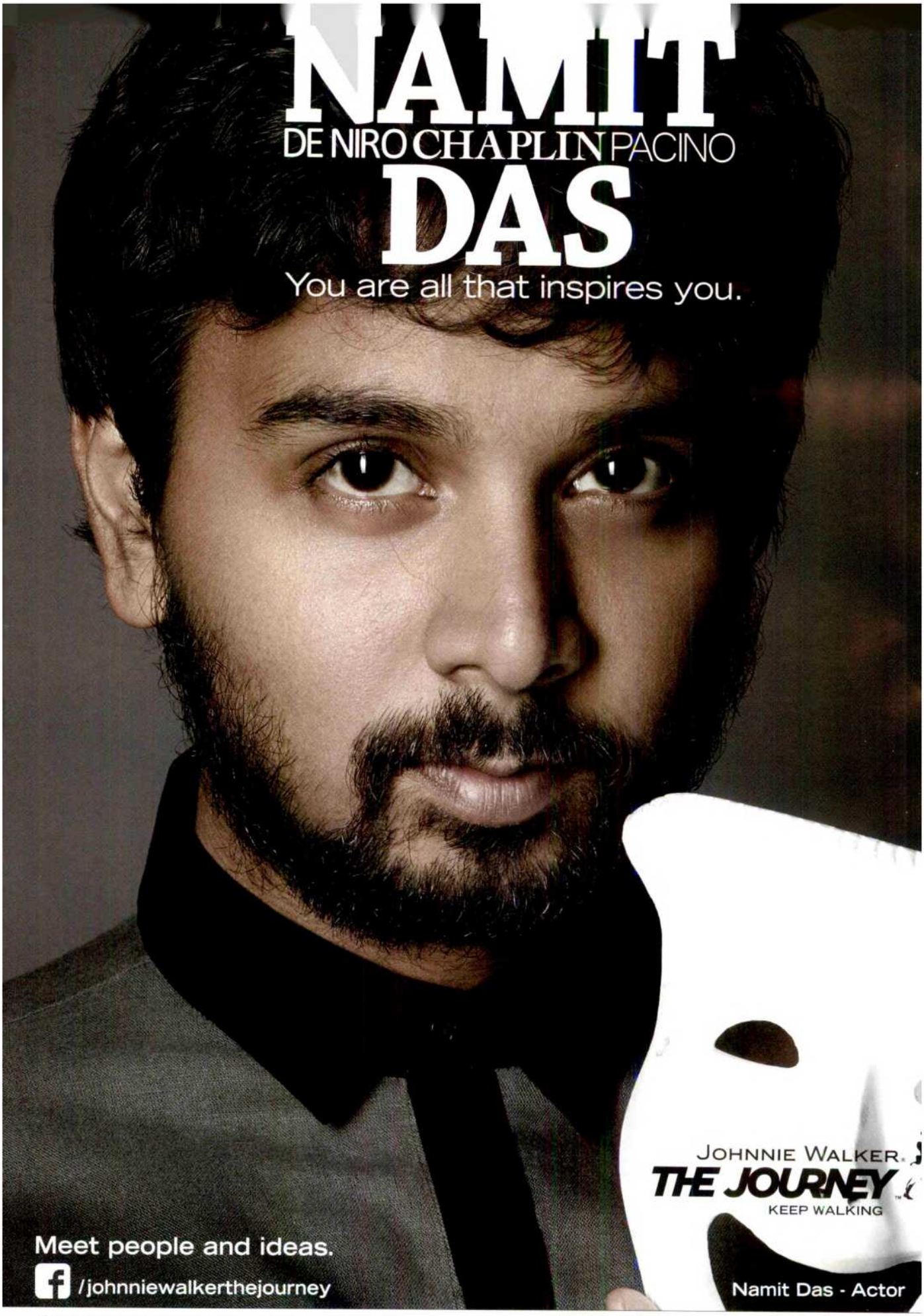

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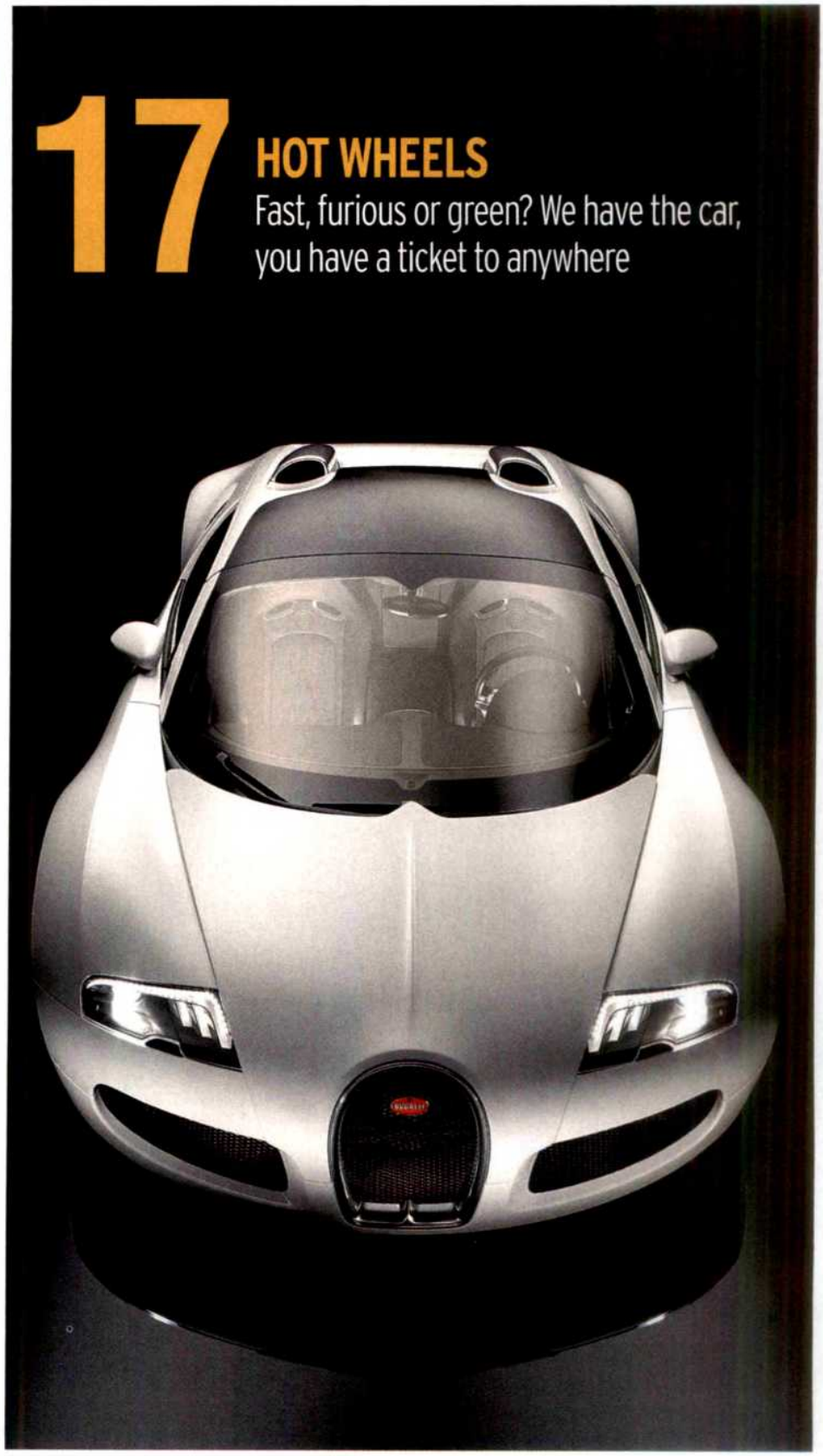

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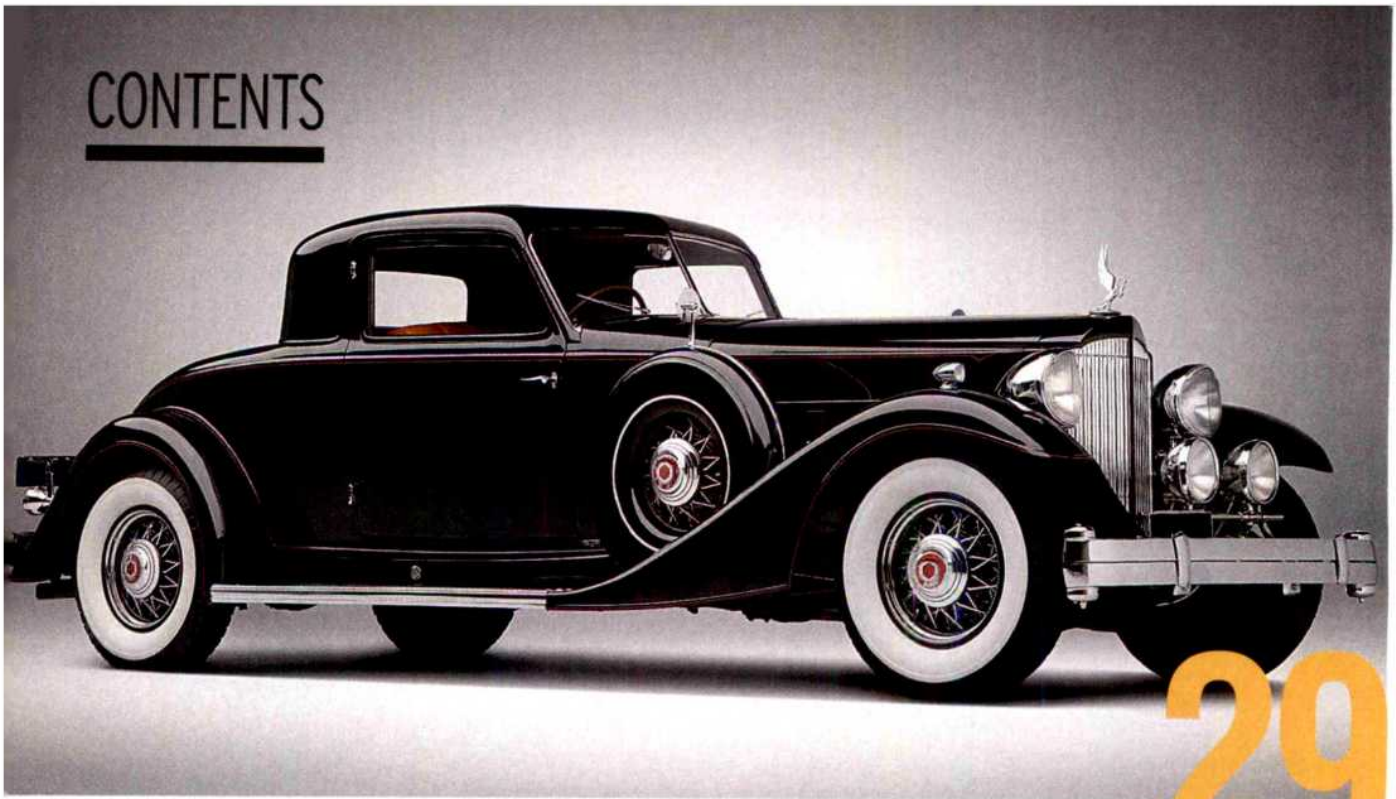

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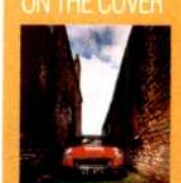

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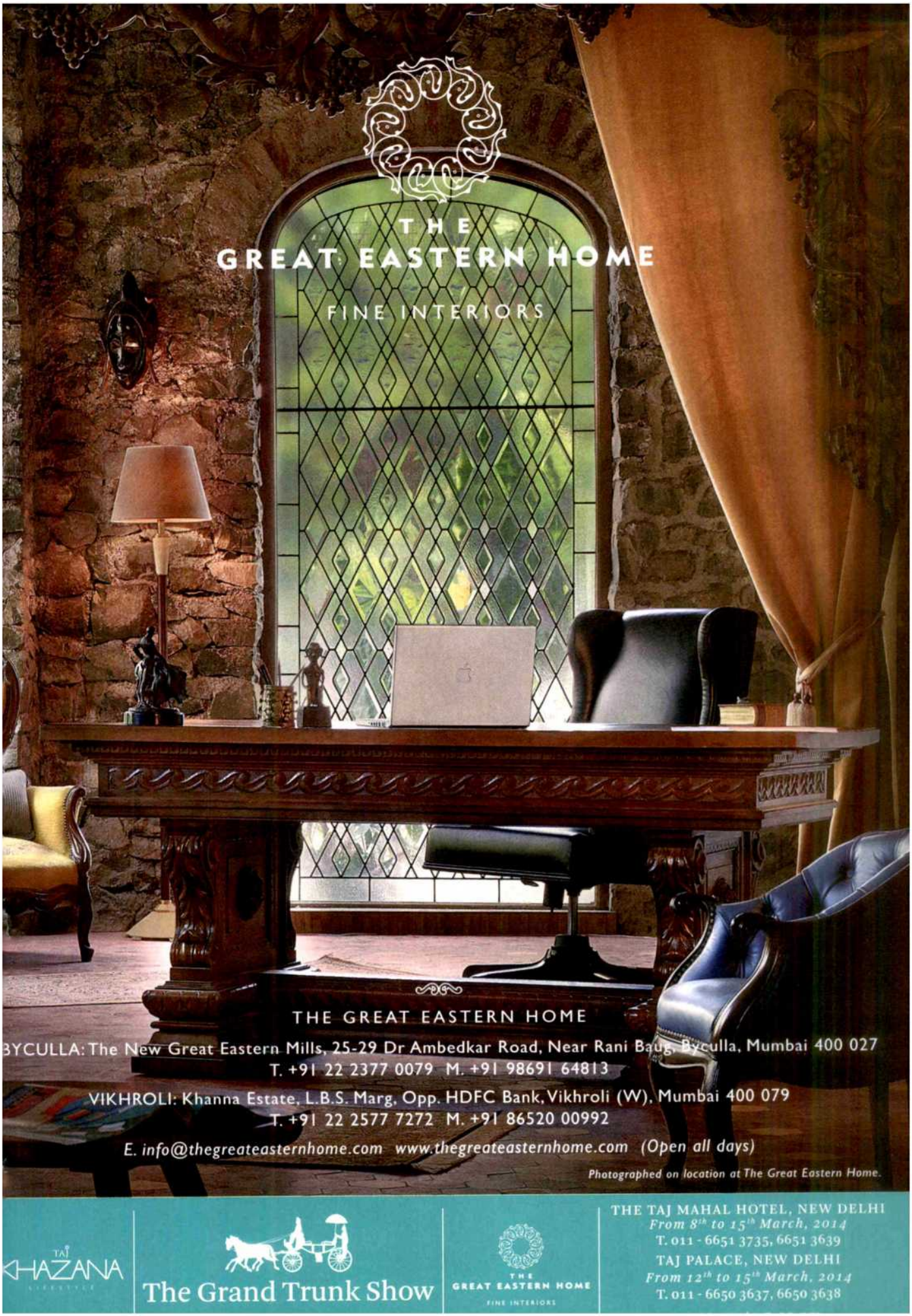
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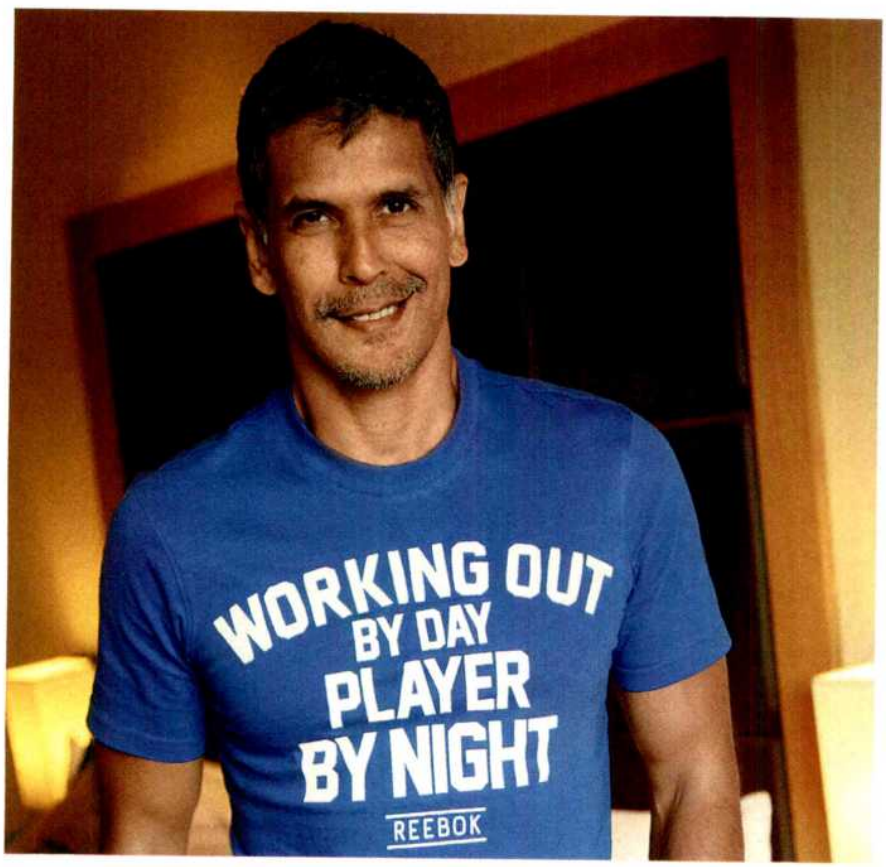
Style Unplugged

Sack your personal stylist, says actor-model Milind Soman, you can be a suave dresser just by trusting your instincts



RULE 1# BE YOUR OWN FASHION GURU Your personality is your style statement. You may be a firm believer in the adage — clothes maketh the man, but it's only partly true. Prioritise comfort while dressing to bring out that suave confidence. Your idea of comfort is exclusively your own – it could be a t-shirt and a pair of jeans or a snazzy jacket paired with chinos. Clothes tell volumes about your personality, and when you're perfectly at ease with yourself (read comfort again), you feel in control of situations.

RULE 2# MINIMAL IS CHIC Avoid overdressing. Contrary to popular opinion, being the dressiest person around doesn't make you stand out in a necessarily attractive light. Being understated is infinitely preferable to feeling stiff and out-of-sorts.

RULE 3# SWITCH BETWEEN ROLES Smart dressing amounts to donning an outfit in which you can attend a party after a long day at work. You should look appropriately attired at any time of the day, as you skip between events.

RULE 4# WARDROBE STAPLES Uncommon is cool but when you follow dress codes and top it off with your personal style, you nail that dapper look. When attending a black tie event or an outdoor party, settle for waistcoats paired with a well-tailored suit. For the ethnic look, fitted bandhgalas over jodhpurs are the way to go. Paired with kolhapuris and an attitude to boot, you'll be the cynosure of all eyes.

(Milind was at the launch of Reebok's Fit Hub concept store, Delhi, and Mega Pink campaign)

4 benefits of BYOD to work

Productivity
Familiarity with one's own device enhances productivity; those opting for BYOD (Bring Your Own Device) are likely to be happier workers than those with IT-issued computers

Upgradation
As users upgrade their devices frequently, they tend to be stocked with the latest hardware. Indirectly, the organisation gets to check out the latest features before incorporating them

Flexibility
With a BYOD policy, users can work from just about anywhere at any time, without having to save files to flash drives or email documents from one account to another. It also nullifies the need to carry multiple gadgets.

Cost-Effectiveness
With more employees opting for BYOD, companies don't need to purchase as many cutting-edge devices. Users also tend to cover the repair costs in case of breakage or system failure.

VICTORINOX

COMPANION FOR LIFE

NEW YORK (USA), 2011

THE GUARDIAN

I had been trying for months to schedule a business meeting with a potential new client. I knew this was my big chance when I fi nally secured the appointment. I packed my presentation materials and a projector in my suitcase and headed to the airport. I was waiting for my luggage at baggage claim when I noticed that all of the bags on the carousel were soaking wet from the rainstorm outside. As my bag approached, it was in no better shape than the others – it looked like it had been dropped in a puddle. I started to feel sick thinking my presentation materials had been ruined. I grabbed my bag and unzipped it, expecting the worst. To my surprise, everything inside was dry. I was so relieved and to top it off, my presentation was a huge success. I am so thankful for Victorinox's commitment to quality. My luggage has never let me down.
Kevin Anderson, October 2011

Victorinox products are a companion for life. What experiences have you had with Victorinox products? Share your story at victorinox.com

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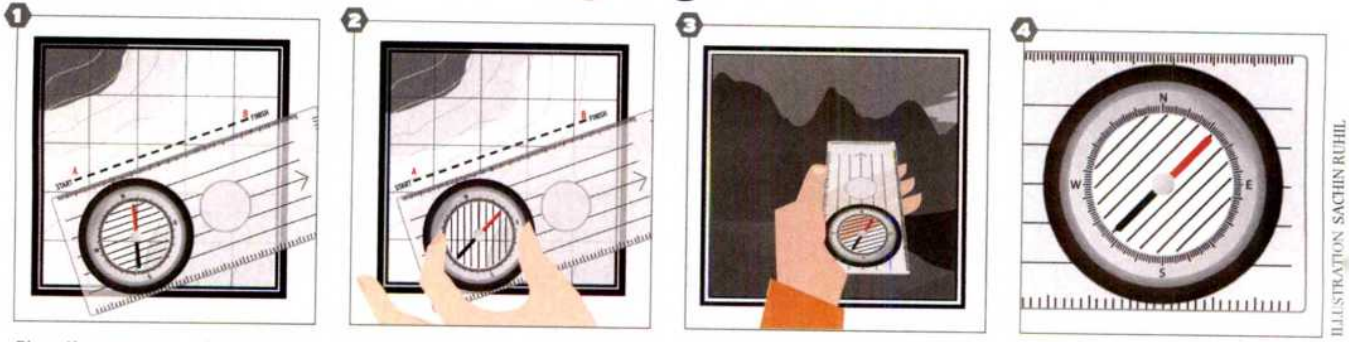
130 years

Hiking? Get your bearings right



1. Place the compass on the map so that its long edge connects the starting point with the destination. The direction arrows should be pointing towards the destination.
2. Steady base plate and hold the compass firm on the map. Turn the compass housing until the orienting lines are parallel with the meridian lines of the map.
3. Hold the compass steady in your hands. Now, double check that the base plate is absolutely horizontal and the compass housing has not turned.
4. Rotate your body until the magnetic needle is aligned with the orienting arrows in the compass housing, which now points to your desired direction.

ILLUSTRATION: SACHIN RUHIL

TLC for your Collectibles

SOME MAY CALL IT A FETISH, others a phase, but the treasures you have collected over the years – be it vinyl records, first-edition comic books or die cast car models – are your joy and pride. While you cannot replicate museum-style preservation methods at home, being particular about how you store and display your collectibles can significantly prolong their life. Turn into a curator with these basic pointers.

VINYL RECORDS

With vinyl records making a stylishly niche comeback, you should be giving a thought to your old record collections. They will have achieved the status of antiques in a few years, so you don't want them gathering dust in the attic. The best way of storing records is to place them upright in a plastic crate or a sturdy cardboard box. Avoid stacking albums since it may lead to breakage.

▲ Keep your comics and vinyl records in mint condition, they could become antiques soon

While storing, do not stack the boxes containing the records too high because the added weight of the boxes can crush the albums.

COMIC BOOKS

You want to take utmost care of the collection you have painstakingly put together since you were a child. And as paper is particularly sensitive to extreme temperatures, they should be sheltered from light and moisture. Place comics individually in a Mylar sleeve along with an acid-free comic backboard. Store the sleeves upright in acid-free storage boxes, and — if possible — keep them in a climate-controlled environment.

MODEL CARS

Invest in a display cabinet that can accommodate your collection of die cast model cars and, preferably, bolt it to the wall. Single model car display cases are a good option if your collection happens to be a small one. Opt for display cases with a wooden base and focus cold LED bulbs on the models instead of halogen bulbs, which could make the paint fade and cause deterioration.

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speed dates

5-9 March

HISWA AMSTERDAM BOAT SHOW, NETHERLANDS

For those into watersports, specifically boats, the place to be this month is the HISWA Amsterdam Boat Show. Featuring small and mid-size boats, last year's show had seen over 300 exhibitors – and the number is only expected to increase this time. You'll also find tonnes of boating accessories, special offers for purchase,

workshops as well as other water sports activities to indulge in. With over 40,000 visitors expected this year, it doesn't get any bigger. For more information, visit hiswarai.nl.

7-9 March

AMELIA CONCOURS D'ELEGANCE, FLORIDA

One of the most respectable motor shows in the world, the Amelia Concours D'Elegance is all about celebrating iconic automobiles and legendary brands. Honoring a particular automobile every year, the three-day exhibition is a must-visit to catch a glimpse of some of the most legendary four wheelers ever. Drop by ameliaconcours.org.

17-23 March

MELBOURNE FASHION FESTIVAL, AUSTRALIA

Arguably Australia's biggest extravaganza of the kind, the Melbourne Fashion Festival is a feast for those looking for all things stylish. Sponsored by L'Oreal Paris and Virgin, the week-long carnival will have the best of designers and brands sashaying down their latest work for visitors, buyers and merchandisers to experience. Visit vamff.com for more info.

29 March

DUBAI WORLD CUP, UNITED ARAB EMIRATES

Witness a spectacular tournament of graceful horses, talented jockeys and thrilling competitions at the Dubai World Cup. Apart from the races, expect concerts, lounges and the best of Dubai's social circuit at the venue. Check out the fashion booklet to get a hang of the dress code before dropping by. Visit dubaiworldcup.com.

ADVERTORIAL

HONG KONG
ASIA'S CRUISE HUB

This summer, discover the excitement of a fly-cruise holiday in Hong Kong – Asia's World City!

Whether you are planning a family or romantic getaway, Hong Kong has the magic to make memories for life. Just a short flight away from Indian cities, it offers a vibrant and cosmopolitan lifestyle, featuring a unique blend of East and West with its cultural fusion and diversity. You are just spoilt for choices in Hong Kong – right from its variety of shopping & dining options to a range of family fun attractions and great outdoors. Summer holidays are also an excellent time to experience the traditional festivals in the territory.

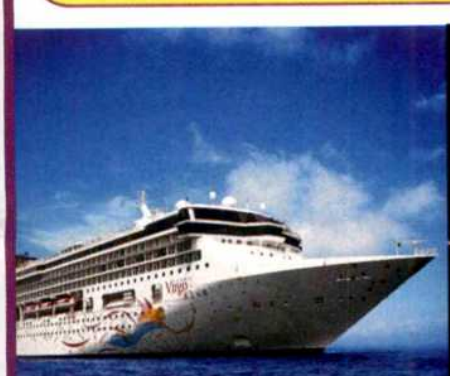
Experience the new world-class cruise terminal at former Kai Tak Runway in the backdrop of the celebrated Victoria Harbour, with a rooftop garden above the terminal offering incredible views of both Hong Kong Island and the Kowloon Peninsula. While, from 7 April to 26 October 2014, the stunning setting of Ocean Terminal becomes homeport to **SuperStar Virgo**, the largest ship of Star Cruises' Asian fleet with 13 decks and 935 cabins.

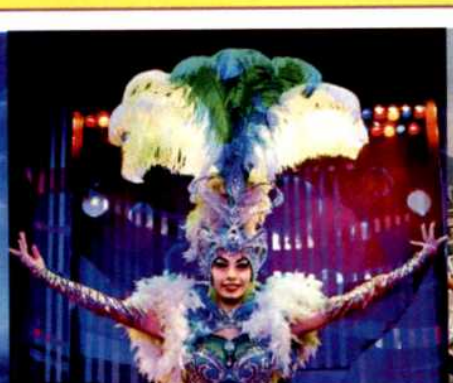
SuperStar Virgo will embark on a six-month deployment offering three exciting Hong Kong-based weekly sailings – the three-night cruise to Kaohsiung and Taichung of Taiwan or Sanya of Hainan Island and Halong Bay of Vietnam. If you wish to extend the trip and prolong the fun, you can also opt for a monthly six-night cruise to Keelung, Kaohsiung and Taichung of Taiwan.

Be first to experience SuperStar Virgo's heightened luxury quotient, as the vessel received a lavish makeover with upgraded cabins, retail, hotel, dining and recreational facilities. And, when it comes to dining choices on board, you can never get homesick with sumptuous Indian buffet spread at its very popular "The Taj" restaurant. By adding a Hong Kong pre or post cruise holiday, you can surely turn your Asian cruise into the trip of a lifetime. Remember, Indian passport holders do not require a visa to visit Hong Kong for a trip up to14-days.

Take part in Hong Kong – Asia's Cruise Hub contest* by the Hong Kong Tourism Board to win a dream holiday from 7 to 12 June 2014 during the famous Hong Kong Dragon Boat Carnival followed by a three-night cruise onboard SuperStar Virgo. Submit your entry at www.facebook.com/DiscoverHongKong, hurry... the contest will be held from 4 to 17 March 2014!

*Terms & Conditions apply





MALAYSIA CALLING

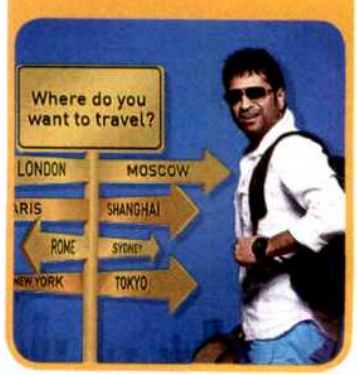
The country introduces an attractive visa-on-arrival scheme for Indian tourists coming through Singapore or Thailand

Now, the land of tranquility is not even a visa queue away ▲

FANCY VISITING THE LAND OF Mount Kinabalu and the Mulu Caves without the requisite queues and paperwork at the local Malaysian embassy? The Southeast Asian country has come up with a scheme that will bring a smile to the faces of many an Indian tourist — albeit with a rider. From January 1, 2014, Indians travelling to Malaysia are being allowed to obtain visas on arrival, on the condition that they travel through Singapore or Thailand. You can avail of the facility if you have a valid Singaporean or Thai visa, along with confirmed tickets back to India. Pegged at $100 (₹6,150), the visa on arrival stands to benefit tourists landing at any of these airports — Kuala Lumpur International Airport, Low Cost Carrier Terminal, Penang International Airport, Sultan Ismail International Airport in Johor Bahru, Kota Kinabalu International Airport in Sabah and the Kuching International Airport in Sarawak.

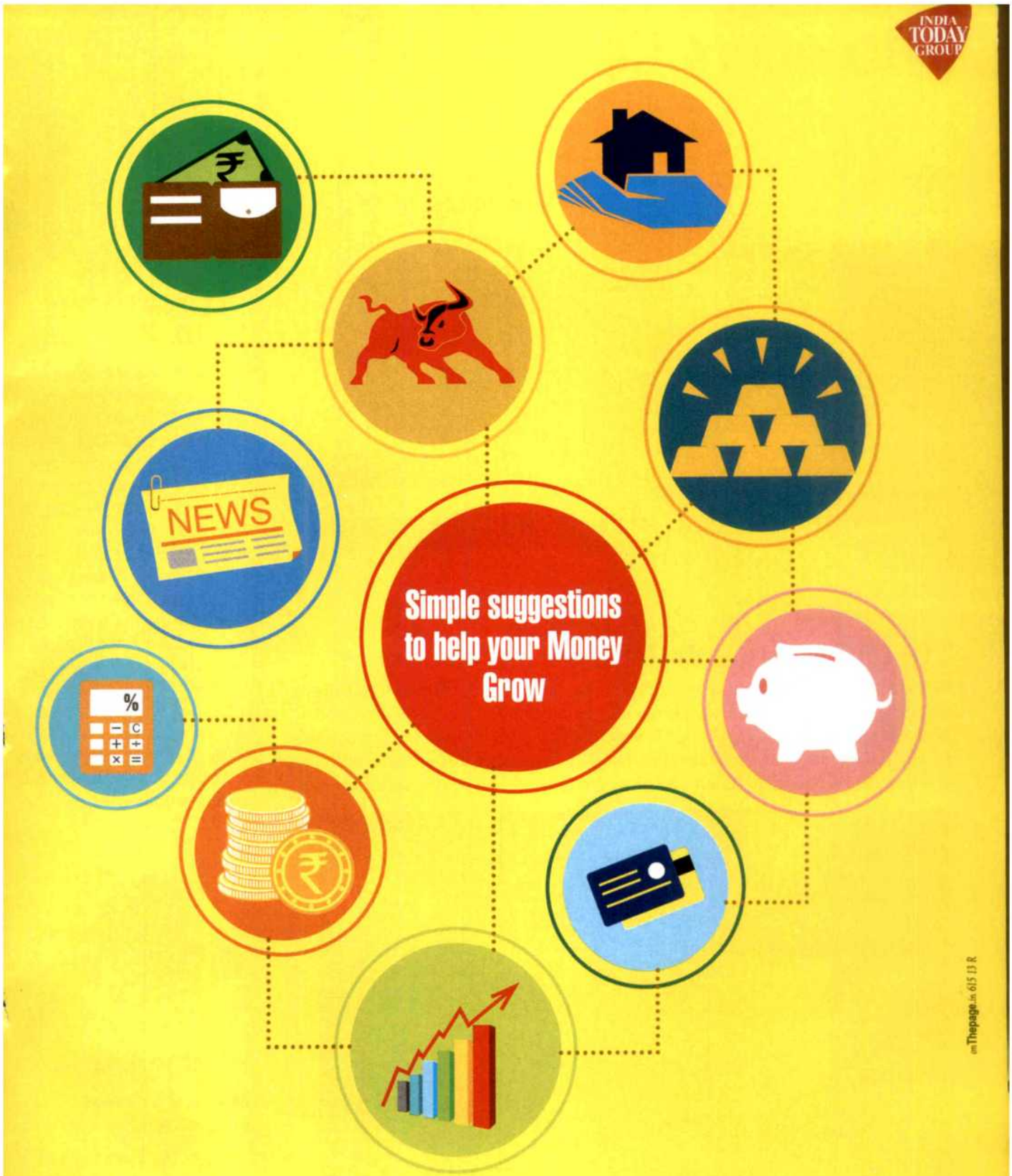
NEW MUSAFIR ON THE BLOCK

Though Musafir.com is just a newbie in the bustling world of online travel planning, it is already making waves through an integrated marketing campaign across television, radio and digital channels. Highlighting the ease with which it can help customers travel to their dream destinations (through tempting deals on flights, hotels and holidays), Musafir.com encourages its prospective client to "Stop dreaming, start travelling". The television advertisement – for its part – has Sachin Tendulkar posing as a mysterious photographer at a mela, metaphorically transporting people lining up in front of him to their dream destinations. Well, the Musafir may have its marketing strategies down pat, but let's see how it fares against competitors like MakeMyTrip and Yatra.



BY THE RIVERS OF MYANMAR

No longer does the world think of Myanmar as a victim of the dark ages; it's now a budding tourist destination that's evoking the interest of people worldwide. A luxury all-suite ship, custom-built by local Burmese craftsmen, is set to sail the virgin waters of the once-reclusive country soon. Catering to guests of the Sanctuary Ananda, it will make its way through the Ayeyarwady and Chindwin rivers – with guided excursions to temples, pagodas, monasteries and ancient towns – over a period of 11 days. Need more? The ship will house indoor and al fresco restaurants, a spa, gym and 21 suites equipped with balconies.



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LIFE IN A YELLOW SUBMARINE

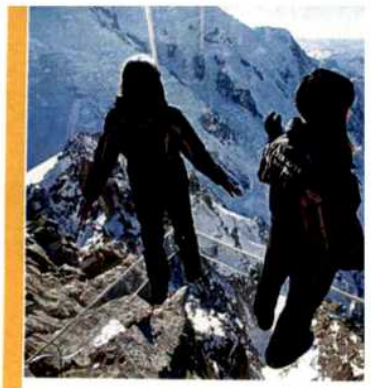
When the Beatles first suggested that we co-habit a yellow submarine, they probably didn't mean to be literal about it. And yet, if you happen to visit Albert Dock in Liverpool, don't be too surprised to find a hotel modelled on John Lennon's imagination. The interiors of the Yellow Submarine, inspired by the U-boat in the Sean Connery-starrer 'The Hunt for Red October', features a lounge with Beatles gold discs and a bedroom straight out of Arabian Nights – among other things. Book well in advance!

FOLLOW THE NORTHERN LIGHTS

So, the northern lights have been on your bucket list, but you don't feel like a trip all the way to the Arctic Circle? Don't lose all hope yet, you could still bask in the beauty of the phenomenon from Ireland's Inishowen Peninsula — located in the far north. The lights have already arrived at the remote location, and they are expected to stay right until the March equinox. And as 2014 is a peak year in auroral activity, the lights will glow

Bask in the northern lights at the Inishowen Peninsula, Ireland ▲

brighter than they have in the past ten years. When you are not staring at the sky, you could camp out on Donegal beach, get a taste of Irish hospitality at one of the tiny villages nearby, or head to the medieval castles littering the area. What's more, Indian citizens with a valid UK C General Visa can visit Ireland without obtaining separate travel documents. No more standing in pesky queues to watch the lights come on!



STEP INTO THE VOID, IN STYLE

Have you ever looked down at a breathtaking mountain cliff – complete with snowclad cliffs and rocky boulders – and felt a wild urge to step off? Marvellous as the experience will be, you may not come back in one piece to tell the world about it. A healthier option would be to make use of the latest tourist attraction to come up on the French Alps – a transparent glass cube called Pans dans le Vide (Step Into the Void), which simulates the sensation of standing 3,842 metres above sea level on the Mont Blanc Massif range and gives you an unparalleled panoramic view of the icy surroundings. Don't worry about the cube cracking – the structure is built from three layers of tempered glass and can withstand winds of more than 220 km/h.

APP CORNER

WeatherPro

Android, iOS, Windows
By MeteoGroup

This intuitive app offers weather reports for over two million geographical locations, feeding in everything from cloud formations and atmospheric pressure to wind speed and humidity. It is quite accurate, so if you are travelling to Switzerland and the app predicts snow, be sure to pack a pair of skis. The app costs ₹199.

YOUR WORKFORCE IS CHANGING

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Teething Troubles

Did that last cavity take you by surprise? Ten minutes of brushing before you head to work every morning just isn't enough; here are some tips to keep your teeth snapping healthy 24/

Using an extra-hard toothbrush could cause abrasion of the tooth enamel and injure your gums ▲

Mull on the floss

Contrary to popular opinion, flossing doesn't exactly amount to overkill. An essential part of any oral health care routine, it helps remove plaque from between your teeth — where the toothbrush is unable to reach — and prevents gum disease and dental decay.

The 'sweet' attack

Eating sugar doesn't cause tooth decay in itself; it's how long the sugar stays on the teeth that bares your mouth to bacterial attack. Bacteria usually feed on the sugar and excrete damaging acid that can eat through the enamel, forming cavities. So, if you have candy, be sure to brush as soon as you can.

Don't overbrush

Contrary to popular opinion, using your toothbrush too enthusiastically could permanently damage your teeth and gums, and people who do this may actually risk harming themselves. Beyond a point, brushing can cause abrasion of tooth enamel and injury to the gums. Dentists say it should be done gently, with bristles standing at a 45-degree angle to the teeth. Also, ensure that the toothbrush is a 'soft' one.

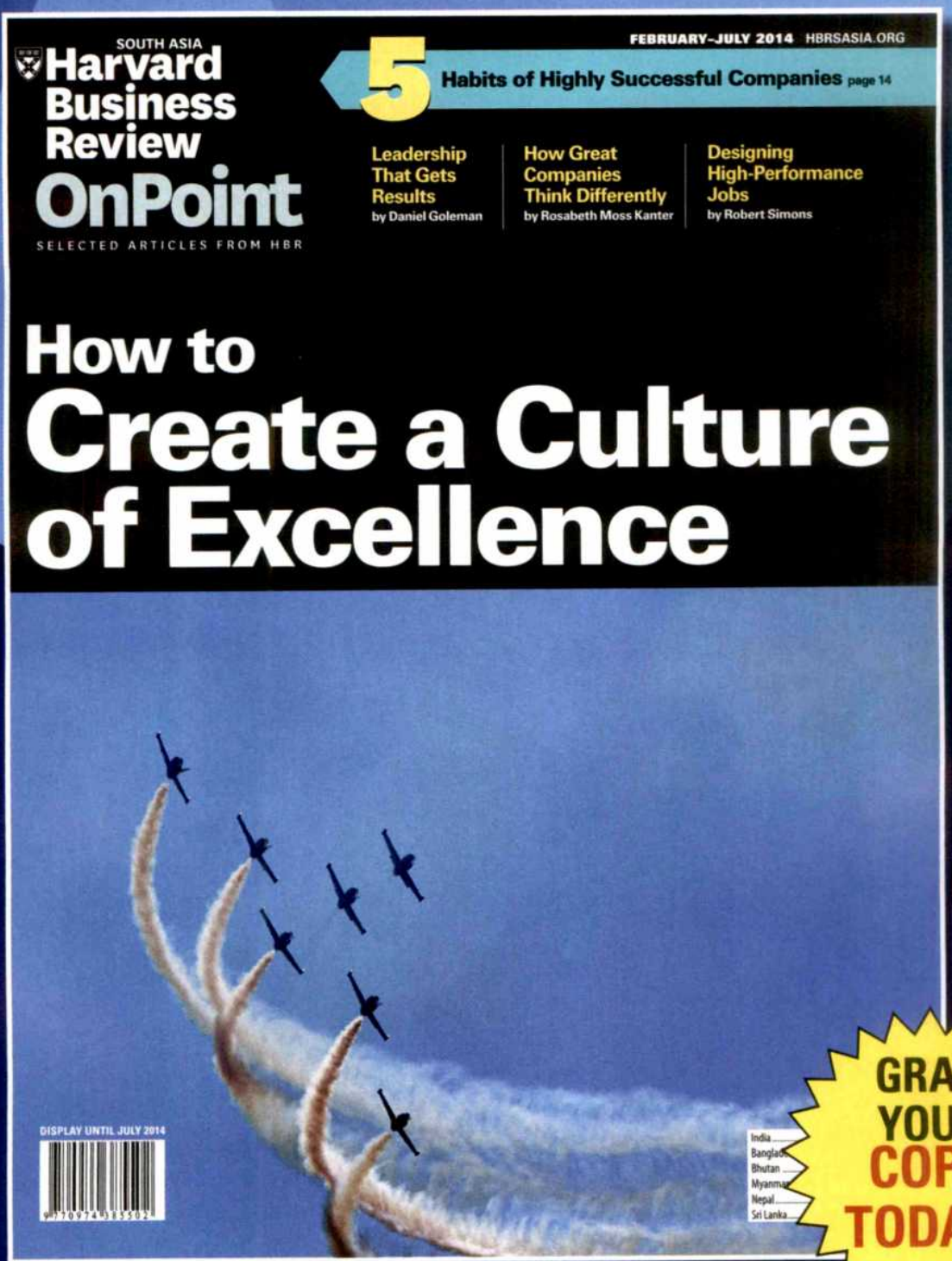
Quit smoking

While it's common knowledge that nicotine stains teeth, the burning paper contains chemicals that can cause its discolouration. Besides this, the heat in the smoker's mouth can impede blood circulation and encourage gum disease.

Use a bottle opener

At parties, do you bite beer bottles open to boost your macho image? The way such stunts make your teeth chip away, your grin won't be such a big hit with the ladies in five years. Using your teeth to open potato chip packets isn't a great idea either.

SPECIAL ISSUE



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Breakfast, Quick!

Proper nutrition is paramount for the start of a good day. Some breakfast tips for the rushed office-goer.

Raise a Toast

Toast can make for a warm breakfast in under two minutes. The variations are endless, the most common being toast with jam and toast with butter and honey. Use breads that list whole wheat as the first ingredient.

Juice Riot

If you can't be bothered to eat your fruit, drink it! For this very reason, blenders ranks right up there with the microwave oven for the rushed office-goer. Throw in some fruits, push a button, and, you've got juice!

Fruity Solution

Through fruits, nature can provide us with a fantastic breakfast – complete with fibre and vitamins that are both tasty and filling. For instance, an orange has 3 grams of fibre, 1 gram of protein and only 60 calories.

Oat's Up?

Easy-to-make oatmeal is nothing short of miracle food – it lowers cholesterol and reduces the risk of heart disease. While a single pack of oatmeal contains loads of vitamins and minerals, it has barely 150 calories.

Cereal Eater

Cereals make for a good breakfast, but do stick with the ones that list whole grains as the first ingredient. Aim for fibre content of at least four grams per serving; nil saturated fat; and sugar content of under 10 grams.

Leftovers

The next time you toss up pancakes, make a few extra pieces and seal them tightly in plastic wrap. Store in the freezer for the week to come, and you just have to heat them in the microwave oven for a quick breakfast!

LUMOback Sensor

SLOUCHING AGAIN? EVEN IF YOUR MOM'S NOT AROUND to check on you, here's the next best thing for maintaining a good posture — the LUMOback Posture Sensor. The sensor provides a gentle vibration whenever you slouch, reminding you to sit or stand straight. Worn on your lower back, it is designed to be so slim, sleek and comfortable that you barely feel it when you have it on. What's more, the sensor connects wirelessly with your smartphone to track all your m ovement data.

Price: ₹13,290

POSE YOUR WAISTLINE AWAY

Waistlines aren't burnt in a day. Fake it until you make it, with these posture tweaks

A SPINE Stand with your back to the wall. Your shoulder blades and backside must touch it, with your mid-back slightly away. Hold this shape at all times.

B GLUTES Many people who spend hours sitting lack proper glute activation. Tense your glutes as you walk to improve the posture of your whole body.

C CHEST Take a deep breath to expand your chest. Now breathe normally, but keep your chest up. This draws in your belly and enhances your physique.

D ABS Six-pack or not, tensing your abs as often as possible will work them and improve their shape. For instance, you could do it while carrying especially heavy objects, or – if nothing else works – climbing the stairs.

From Men's Health

CAR WARS

If life's a highway, ride it your way. From the luxurious Flying Spur to the battle-ready Veyron, here are some of the hottest automobiles to hit our roads in recent times. BY RAHUL GHOSH AND JIMMY J

Ride like Royalty

Bentley Flying Spur

BENEATH THE HOOD

Engine 5,998cc
Maximum power 616 HP

You may have half the paintings Picasso ever painted and a fleet of choppers waiting at your beck and call, but some would say that you still haven't experienced true luxury unless a Bentley Flying Spur figures in your list of possessions. A 5,295mm-long saloon with four-wheel drive, this baby packs in a 616-hp 6.0-litre W12 engine capable of accelerating from 0 to 99.2 km per/hr in a matter of just 4.3 seconds! The Flying Spur, which combines a Marmite-rear with its now-familiar four-headlight front end, is stately, bold and quite capable of inviting every eyeball on the busiest city street. Enter the car, and you find yourself in a beautiful universe of rich, dark wood with chrome details. True power is priceless, but sometimes you get to buy it for ₹3.10 crore.

auto

THE FAST

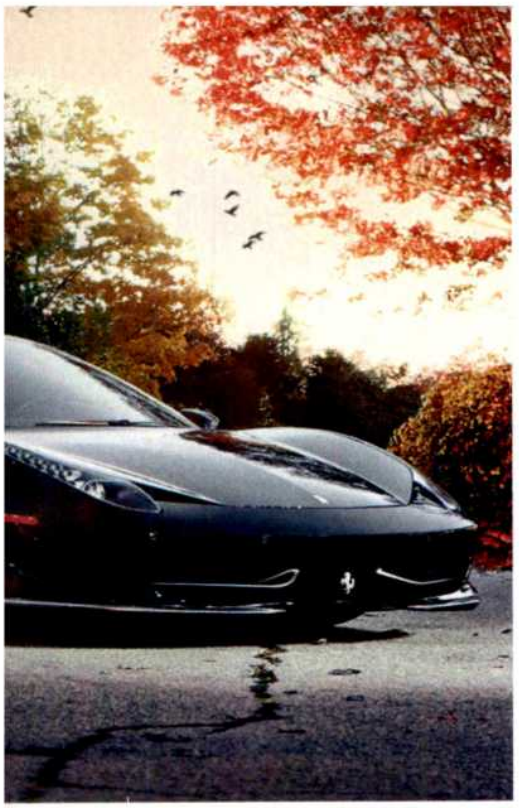
Does a speed demon hide beneath your skin, trying to grapple its way out every time you take the wheel? Five cars that will help you set the streets on fire, in style.

Looks that Kill
Lamborghini Aventador

If Spielberg were to show a futuristic car in his next sci-fi movie, he couldn't possibly do better than the Lamborghini Aventador. With a sleek body worth its weight in envy and jagged beauty, the Aventador features various products of state-of-the-art technology such as a robotised seven-speed manual gearbox and the dual-clutch automatic system. And yet, at its heart, the Aventador remains a supercar of the old school – powered by an outrageously powerful 6,498cc engine that delivers 691 bhp of gut-busting power. In a hurry to get somewhere? This baby can give you a lightning-fast start of 0-100 kmph in less than 2.9 seconds, and if that hasn't proved unnerving enough, you may step on the gas to reach a maximum speed of 350 kmph. It's said to be a little unresponsive at low speeds – but then – crawling is for golf carts, isn't it?

BENEATH THE HOOD

Engine 6,498 cc
Maximum power 691 BHP



Need for Speed
Ferrari 458 Italia

A hot body is a thing to cherish, and we are still talking cars here. Designed by Pininfarina, the Ferrari 458 Italia's exteriors are designed for aerodynamic efficiency – producing a downforce of 140 kg at 200 km/hr. At high speeds, the deformable winglets of the car's front grille sink to offer reduced drag and increased downforce. The car's interiors were crafted in consultation with no other than former F1 champion Michael Schumacher, so you can expect nothing but the best in that department. Sitting just behind the occupants' heads, the 458's 4.5-litre V-8 engine is rated at 562 bhp – all the way up at the 9,000-rpm redline. Only a thin divide separates the engine from the passenger compartment, firing it up with a quick stab on the gas and bringing the man that much closer to the machine.

BENEATH THE HOOD

Engine 4,499cc
Maximum power 562 BHP

Beauty of the Beast
Jaguar F-Type V8 S

This one couldn't have come from a better carmaker. The Jaguar F-Type V8 S is the closest a vehicle can get to the beast of the American heartlands, purring when idle and roaring to life when you step on the gas pedal. Combining modern technology with age-old exhaust plumbing, the car propels spent combustion gases into the atmosphere in a manner that elevates the complete driving experience. Power, did anybody say? The F-Type V8 S is fitted with a version of the automaker's supercharged 5.0-litre V8 that's rated at 488 horsepower and 460 pound-feet of torque. Capable of touching 300 km per hour, it accelerates from zero to 100 km/hr in just 4.3 minutes. As for the appearance, you only have to look at the sleek boy and smooth edges of the Jaguar F-Type V8 S to be completely bowled over. Or run over, if you don't get out of the way fast enough.

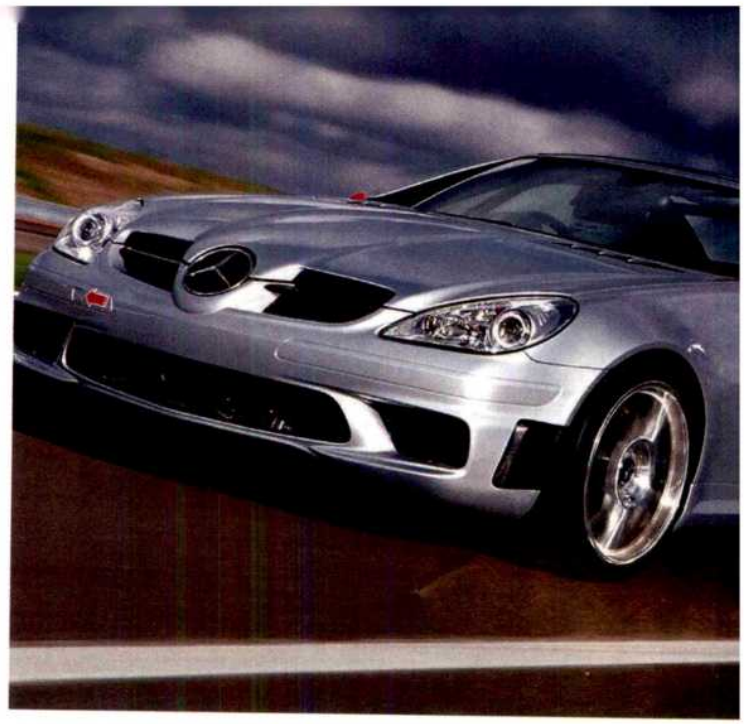
BENEATH THE HOOD

Engine 5,000cc
Maximum power 488 BHP

auto

A Responsible Powerhouse
Mercedes Benz SLK55 AMG

The true spirit of the Mercedes Benz SLK55 AMG is best seen when you go medieval on the gas pedal. For it is then that you witness the engine at work, straining like a raging Rottweiler on a leash until it's allowed to roar up the road in an awesome display of gas-fuelled rage. Armed with 414 bhp of power, the car's 5.5-litre V8 keeps the same displacement while providing more power and torque. Consequently, the engine – featuring 32 valves plus direct injection – provides as much as 6,800 rpm of peak power, instead of the expected 5,750. And, crazed by power as the vehicle may seem, it does its bit for nature by donning the mantle of the world's most fuel-efficient V8 car, emitting just 195g/km of CO2. Yes, Peter Parker's ol' uncle Ben was right – with great power comes great responsibility.



BENEATH THE HOOD

Engine 5,439cc
Maximum power 414 BHP

The Rocketship Car
Bugatti Veyron - Standard (Coupe)

If the good folk at Bugatti are to be believed, making a truly fast car can be quite a slow process. The Veyron, built like a veritable tank over a period of five weeks, touches 100 km/hr in just 2.5 seconds – a feature that leaves its competition wallowing in the dust. But, true to its reputation of being the master of the racetrack, the car does not boast of its prowess. Nudge the gas pedal lightly, and it taxies across the road like an Audi TT; step on it, and the Veyron zooms forward at breakneck speed – achieving its top speed of 402 km/per hour before you can get to the first syllable of *Omigosh!* This, combined with active aerodynamics and a four-wheeled drive to handle all that pulsating power, makes it one of the fastest commercial cars in the world.

BENEATH THE HOOD

Engine 7,993 cc
Maximum power 986 BHP

THE FURIOUS

The road to fulfilment isn't smooth, and it shouldn't be so for your car either. Presenting five vehicles that will traverse hell and high mountains to take you to your destination.

Rough 'n' Tough
Jeep Grand Cherokee

When it comes to treading the off-terrain road, nothing can beat the Grand Cherokee. A veritable mountain goat on wheels, the Cherokee retains its trademark seven-slat grille and rectangular headlamps but glows with technology in every other regard. Equipped with a powerful three-litre V6 diesel engine and Jeep's Selec-Terrain traction control system, no desert, river or race track poses a challenge as long you are driving this veritable battletank of an SUV. Don't worry about losing your way in the mountains either; there is a plethora of buttons on the steering wheel that allow you to exercise everything from radar-based cruise control and suspension setup to navigation – among other functions. Try your hand at the ₹70-lakh Grand Cherokee, and you'll be having too much fun driving to want the country roads to take you home.

BENEATH THE HOOD

Engine 6417cc
Maximum power 470 BHP

Rugged on Demand
Porsche Macan

Say hello to a motorised beauty that's built on the Audi Q5 platform but runs sturdier than the latter ever can. The Porsche Macan – instead – seems to look up more to big brother Cayenne, with a similar face, swept-back headlamps on the front and wraparound tail lamps on its rump. Explore further, and you find mixed tyre sizes (wider at the rear), bigger brakes with six piston callipers and air suspension. What's more, the simple push of a button raises the body of the car by 40mm, enabling it to negotiate the most rugged paths with ease. The Turbo version comes with a 3.6-litre twin-turbo petrol engine that powers it to 100 kmph in 4.8 seconds. Believe us, this one's got quite the drive.

BENEATH THE HOOD

Engine 3,604cc
Maximum power 394 BHP

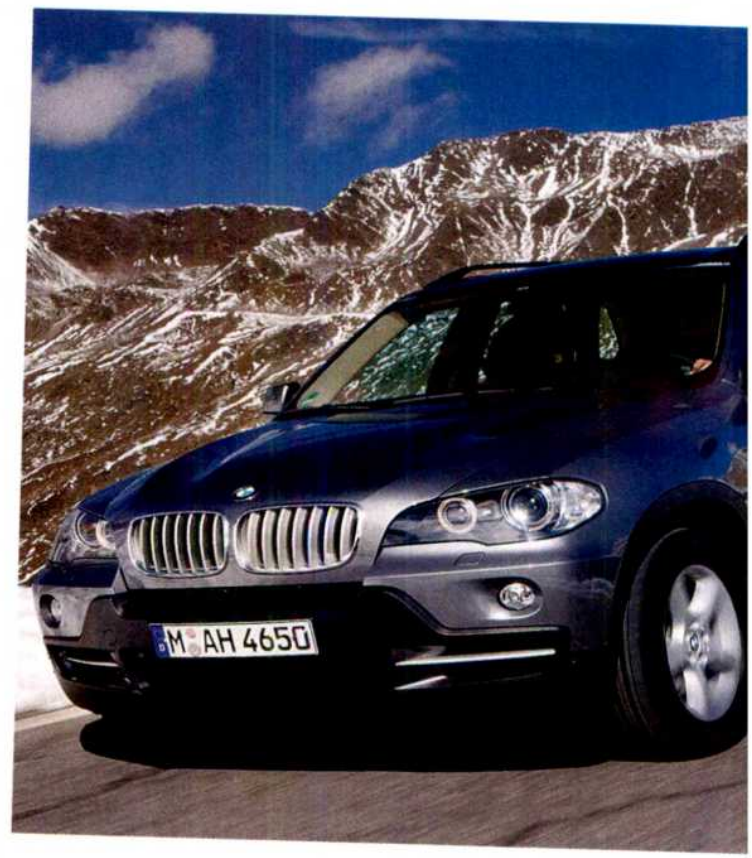
auto

Curves that Matter
BMW X5 (XDrive30d variant)

No list of high-profile SUVs would be complete without a mention of the BMW X5 family, now in its third generation. Its newest member, which comes with a major design overhaul that includes the restyling of typical BMW elements in a modernistic manner, is curvier and equipped with larger leather seats. If safety is your first priority as a driver, you may opt for additional features such as the 360-degree camera, night vision, heads-up display, park assist, lane departure warning system and cruise control. Powered by a 3-litre engine that offers 258 bhp of power and 560 Nm of torque, the new X5 – with its high-tensile steel body – is nearly 90 kg lighter than its corresponding model from the previous X5 generation. Drive light, and fast!

BENEATH THE HOOD

Engine 2,993cc
Maximum power 258 BHP



Wild Comfort
Mercedes Benz S-Class

When it comes to blending sophistication and sportiness, nobody does it better than the S-Class. While the exteriors are nothing short of stunning, it's the insides of the vehicle that make for a truly charming experience. The instrument panel is an all-digital affair that can be customised to the needs of the driver, and the options for the cockpit – be it Lazyboy seats, the drinks cooler or the massager – are virtually limitless. Add to this the impeccable quality of the finish, and you have a 448-bhp turbocharged monster that looks (and moves) as dainty as a ballerina on tippy toes. Despite the powerhouse under its hood, the S-Class retains its awesome ride quality through the Magic Body Control – a revolutionary technology that involves cameras looking at the road ahead and adjusting the suspension before the car gets to a bump. To be released in India soon, this baby will be a steal at ₹1.6 crore!

BENEATH THE HOOD

Engine 4,700cc
Maximum power 448 BHP

Evoking Admiration
Range Rover Evoque

BENEATH THE HOOD

Engine 2,000cc
Maximum power 240 BHP

Stylish and an absolute pleasure to drive, the Evoque is the trendier Range Rover you have always been waiting for. The SUV is armed with a 240-bhp 2.0-litre engine that sends it surging forward like a stallion possessed with the slightest tap on the gas pedal – off road or on. The leaner and relatively lightweight frame of the Evoque, on the other hand, makes it nimble enough to negotiate heavy traffic on packed roads. Need more? The vehicle's new off-road navigation feature guides you through the woods while Terrain Response electronics and MagneRide dampeners ensure that the rugged mountain roads don't make you fly off the seat. No matter where you are, you will always feel at home in the Evoque.

auto

THE GREEN

Style's important, so is the environment. Two automobiles that show you care.

Hybrid Theory
Toyota Prius

Environment-friendly needn't necessarily mean boring, and the hybrid Toyota Prius demonstrates just that. The car's coefficient of drag is 0.25, one of the best around, and under its bonnet, the vehicle perfectly synchronises its 1.8-litre petrol engine with the electric motor and regenerative brakes. Speed? The Prius achieves 0-100 in less than 10.9 seconds in performance mode, and the petrol engine churns an enviable 136 HP of power. The electric motor, on the other hand, manages 80 bhp in perfect silence. What's more, it looks great! Get the zing back into green.

BENEATH THE HOOD

Type Hybrid
Maximum power 136 BHP (Petrol)
80 BHP (Electric)

It's Electric
BMW i3

For starters, this hatchback is no battery-powered toy — the electric motor of the i3 produces a neat 170 bhp and a torque of 250 Nm. The energy supply is provided by a lithium-ion high-voltage battery with a 100,000-mile warranty. The interiors are an all-digital affair, and the i3 even has an in-built computer that tells you whether there's enough juice to reach your destination. What's more, it's quite a sturdy little contraption, not the plastic bubble you associate the electric car with.

BENEATH THE HOOD

Type Electric
Maximum power 170 BHP

A WATCH FOR THE CREATIVE AND CURIOUS.

Silverstone RS Skeleton
Put Your Hands On The Steering Wheel

With care and pinpoint precision, GRAHAM has gone beyond modern racing to introduce a new generation of Silverstone watches. The Silverstone "RennSport" Skeleton collection features an evocative technique and design worthy of the most powerful German motorsport technology. At full speed, the watch rivals the accuracy and efficiency of automobile mechanics, in high-end watch making.

The contours of the watch are those you would expect from a fast luxurious car: balanced and sensual. The mix of materials such as polished and hand-drawn strokes steel, ceramics on the bezel with an aluminium ring under it and finally a rubber strap give the Silverstone RS Skeleton a status of ambitious technical timepiece with a trendy streak. The watch brings a pure watch making experience by showcasing all parts of the movement; the engine of the watch.

Limited edition: 250

The Rado Esenza Ceramic Touch Fibonacci Diamonds Limited Edition

TOUCHING PERFECTION

At Baselworld 2013 Rado presented a world first in watchmaking with the Rado Esenza Ceramic Touch. Now the Esenza Ceramic Touch returns and it is more glamorous than ever before.

The gleaming black high-tech ceramic case is a sleek and subtle background with its gently curved, sensuous oval shape. Smooth, strokable and scratch-resistant it is the perfect material to showcase the 534 individual diamonds that adorn the dial of this innovative model.

The glittering gems, set in a Fibonacci spiral, call to mind the organic patterns seen in nature in flowers, and underline the kaleidoscopic beauty of this ladies model. This mesmerising mathematical marvel also alludes to the technology behind this outstanding piece of functional jewellery.

■ THE TECHNOLOGY BEHIND THE TOUCH

Controlled by the gentle touch and sweep of a finger along the side of the case – left for hours and right for minutes – time can be made to fly by or can be turned back in a single stroke. The monobloc construction of the case, the production of which is carried out under high pressure using a sophisticated injection process, ensures the success of the ceramic touch technology.

Limited to 300 individually numbered pieces, and using a perfect combination of ceramic and diamonds, the Rado Esenza Ceramic Touch Fibonacci Diamonds Limited Edition is yet another beautiful breakthrough from Rado.

review

Wheels that Roar

After 50 years of riding on the back of the Bullet, Royal Enfield has finally brought the Continental GT to Indian shores. We check if the new cafe racer is worth the dust it has raised.

TEXT BY RAHUL GHOSH

IT'S BEEN OVER HALF A CENTURY since we got anything completely new from Royal Enfield. True, the Bullet family has seen the addition of quite a few members, and the Thunderbird came as a substantial upgrade, but – let's face it – they were all built on a similar chassis.

Turning the tide is the Continental GT, which isn't even in the same ballpark as the Bullet or the Thunderbird. Going by exteriors, it is a flashback to the two-wheeler of the yesteryears – more specifically, the charming café racers from the golden era of British motorcycle rallies. But look beyond the long polished tank, seat, bum-stop and the retro paint job, and you catch a glimpse of a modern speed demon capable of taking you as fast as 140 km per hour.

You might want to ride slowly for a bit, though – enough to let the others on the road admire the motorcycle's exquisite tinted bar-end mirrors, its megaphone exhaust, and the aluminium-spoke wheels shod with Pirelli Sport Demon tyres. Don't let the clocks fool you into thinking that they are classic Smith gauges; the equipment is as electric as it gets.

However, it's only upon mounting the GT that you feel the stallion heart pulsating within. For one, the riding posture is more of a crouch than upright – indicating that the motorcycle is a racer, not an easygoing cruiser. Touch the starter button lightly and the vehicle's 535cc engine explodes into

Classy Reflection

Rearview Mirrors
Mounted at the bar end, your windows to the road left behind

Shock Up!

Shock Absorbers
High-end Paioli tech to take on the bumpiest of roads

Watch your Speed

Smith Gauges? Not
With a spread this good, you'll have a hard time focussing on the road

TECHNICALLY SPEAKING

Engine displacement	535cc
Maximum Power	29.1 BHP
Maximum Speed	140 kmph
Price (On Road)	₹2.15 lakh

◀ Look beyond the retro styling, and you see a speed demon capable of touching 140 kmph

life, barely revealing that it's the same 500cc single-cylinder unit of the Enfield that's been out-bored to displace an additional 35cc. Enhancing the ride quality of the motorcycle is the meaty note from the megaphone exhaust and the throbbing heart under the seat.

What else? The GT drops the traditional carburettor to make room for a modern fuel injection system from Keihin. The light clutch and five-speed gearbox ensure good rideability, making it feel comfortable on the roughest of roads. However, fast as the speedometer needle of the GT hits 80, its journey to the crucial 100-kmph mark is fraught with vibrations of protest lodged through the handlebar and foot pegs. Its robust engine – nevertheless – stands by you through it all.

The handling characteristic of the GT is, for its part, impressive. Unlike any other motorcycle from the Enfield stable, the chassis developed by Harris Performance gives the motorcycle considerable dynamic stability – something that finds apt reflection in its agility while turning corners. But the ride seems to be on the stiffer side, despite the Paioli gas-charged dampers mounted on its box-section swingarms.

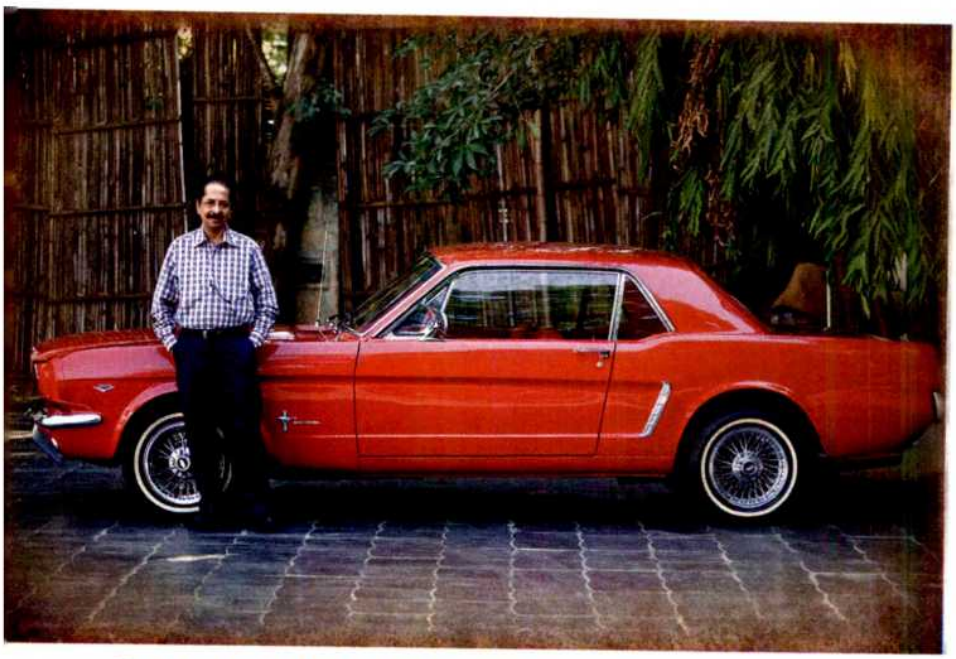
The GT comes with Brembo disc kits at both ends, which proves effective in bringing the motorcycle to a sudden halt even while speeding. The rear brake, however, could have done with more feel.

In all, the Royal Enfield has covered new ground by developing this motorcycle. The winds of change are blowing, so get ready to be swept away.

Diamonds and Rust

They ruled our roads a century ago, they rule them still. A look at some of India's oldest automobiles and the men who keep them roaring. BY JIMMY J

IT WAS ON A SUNNY JANUARY morning that the Vivanta at Taj-Surajkund was transported back in time to the early 20th century. Instead of the gaggle of tourists you usually find lounging around five-star hotels in Delhi, what caught the eye on its sprawling grounds were rows of colourful vintage cars of all shapes and sizes. Be it the Tin Lizzie (the Ford Model T), which brought personal conveyance to the middle class American's doorstep in 1909, or the Rolls Royce K-Series, which transported Maharajas across the expanse of pre-Independence India in the 1920s, every four-wheeler that ever made its presence felt in the history of the automobile industry was



▲ SB Jatti and his 1964 Ford Mustang are virtually inseparable.

in attendance at the vintage car show.

Even as the organisers led the crowd of onlookers from vehicle to vehicle, a few among them could be seen checking the vintage beauties on their own – eyes wandering over their beautiful leather upholstered interiors and letting their fingers run flirtatiously over polished curves that belonged to an automobile generation from aeons ago. As for the owners, you could see their faces glowing with pride as they described their cars to the fawning public. Love was in the air that day.

Quite understandably too, because unlike the short-lived joy of buying the latest sports car, the feeling you get from taking in a vintage automobile is akin to expanding your family to accommodate a new member. Most of them have been picked up from scrapyards and painstakingly resurrected to their former glory over a span of many years, and parting with them could feel like bidding farewell to an adopted child.

This was something that SB Jatti, vice president of the Heritage Motoring Club of India (HMCI), noticed firsthand when he got himself a 1954 Fiat Millecento. "It's my oldest car," he says, "I found it in one of the workshops at Chittranjan Park about 20 years ago. The vehicle was in a bad state, but the owner – who had it in his possession for thirty years – was very reluctant to sell it. It took three long years to make him sell it, and he did it with tears in his eyes."

As it turned out, the Millecento's journey to restoration was quite a bumpy ride. "I had to restore the car personally over the years, and the parts were sourced from all over the world. Though this is an Italian car, no parts are available there – for some strange reason," says 55-year-old Jatti, adding that it takes nothing but pure obsession to rebuild a vintage car from near-scratch. Today, he owns four such vehicles, including a 1964 Ford Mustang and a 1976 Fiat X1-9 Bertone.

For Madan Mohan, one of the senior members of the motoring club, the dream took root when he was just eleven years of age. "Back then, I used to wait long hours for the Maharaja of Khetri, Rajasthan, to drive out of his palace because I was singularly fascinated by the beauty of his car. As time passed, this fascination turned into passion, and imagine my joy when I finally got to buy a Dodge 6-1929 – the same car as the Maharaja's – in 2000!"

When it comes to maintaining his vintage cars, Mohan leaves no bolt unturned. "We have a 47-strong team of repairmen to restore and maintain our cars. While there are times that liberties are taken with colour, we do not compromise on spare parts. They are 100 per cent original, and usually imported from other countries," he says.

A majority of the vintage cars in India

The Old Cars' Club

Established about eleven years ago with just a few members, the Heritage Motoring Club of India (HMCI) has grown into an organisation with a count of over 300. It holds around 12 to 15 events in a year, mostly between September and April, and participates in auto expos across India as well as neighbouring countries. The HMCI also publishes Classic Wheels, a magazine dedicated to vintage automobiles – providing info on restoration, maintenance, spare parts as well as useful tips.

▲ Diljeet Titus with his 1930 Stutz, the only car of its kind in India.

have their roots in royalty. A case in point is the 1927 Rolls Royce (Series K) Barker Tourer that Diljeet Titus, founder of the Titus & Co Museum of Classic Cars, "inherited" from the Nawab of Sachin, Maharashtra. Titus' passion for automobiles was kindled at a very young age, and it never really went away. "My mother says that as a boy of five, I used to plant little toy automobiles in our garden – hoping that they would yield trees full of cars. While that fantasy never materialised, I started collecting cars in 1999. By 2003, I had set up The Titus & Co. Museum for Vintage & Classic Cars."

Today, at 48, he owns 72 classics, including Packards, Cadillacs, Buicks, Chevrolets, Dodges, a Pierce Arrow, a Willys Knight, an Auburn Boat-tail Speedster, two Rolls Royces, two Mercedes, the extremely rare Minerva Type AL, and the only Stutz in India.

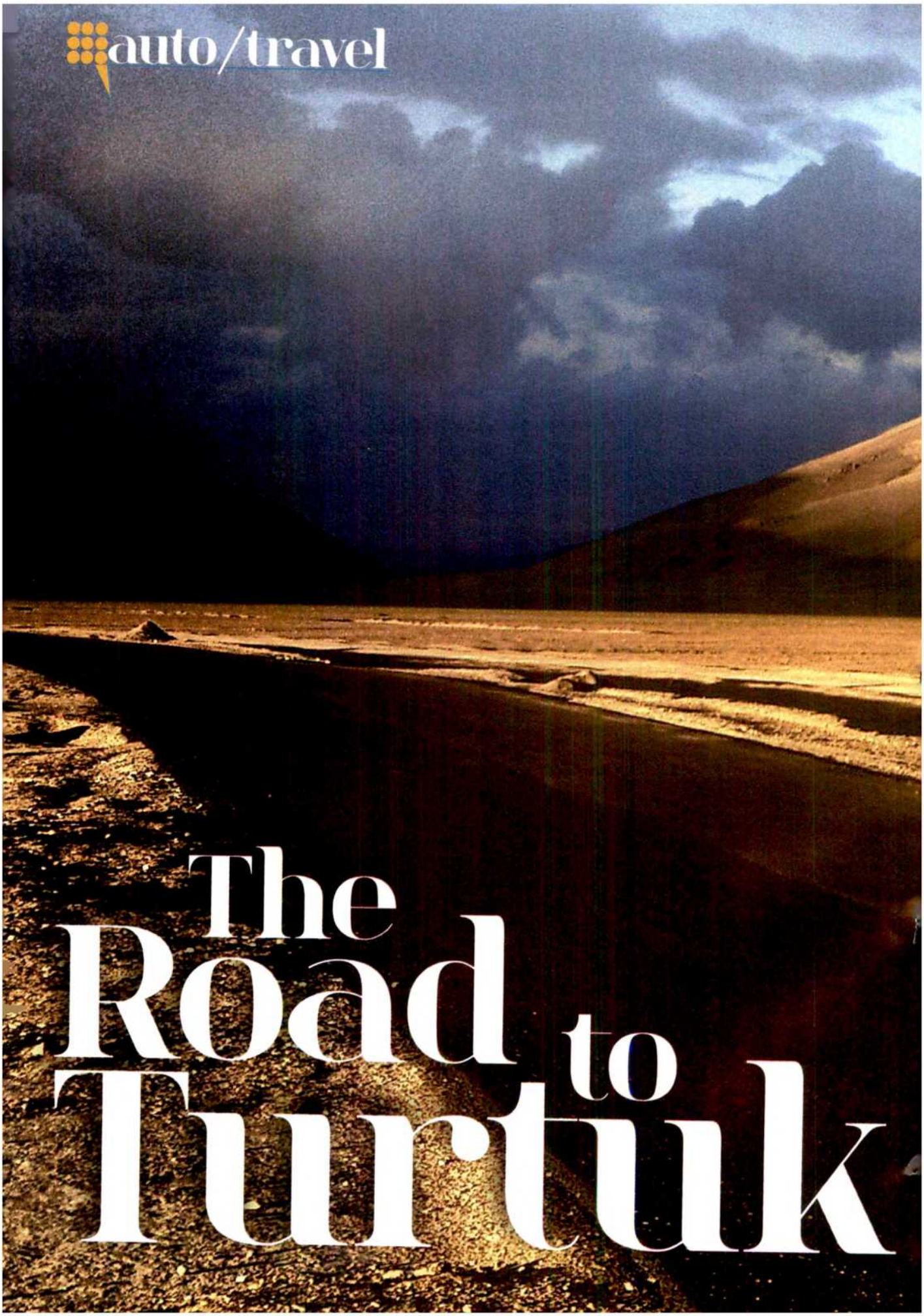
▲ Madan Mohan's vintage car collection is the realisation of a childhood dream.

What are the precautions one should take while handling these beauties from the past? "Rust is a vintage car's biggest enemy," says Jatti. "It should be cleaned everyday with a moist cloth after the dust is removed with a feather brush."

He believes that with the exception of additions like electric fans to prevent radiator overheating, one shouldn't tamper with the "originality of the vehicles".

The vice-president of the HMCI, however, expects more help from the administration as far as preserving vintage cars is concerned. "The government should encourage the preservation of such priceless pieces of heritage. Special registration numbers should be allotted to heritage vehicles, and regulations on fitness must be waived off. Also, comprehensive insurance and duty-free import of parts should be made available," says Jatti.

One look at his gleaming Mustang, and you see his point. These glorious metal monsters have come a long and bumpy way, it's only fair that we smoothen their road ahead.



The Road to Turtuk

Looking for some adventure? Hop into the power-laden BMW X6 and rev it up as you travel through the inhospitable terrains of Nubra valley to Turtuk, one of India's most remote and spectacular frontiers

TEXT BY MERAJ SHAH

"IF YOU HAVE A REALLY POWERFUL SET OF binoculars, you can see them waving back at you," says Faizin in all seriousness, pointing to specks of white on the mountain facing the village of Turtuk. It's only been a couple of years since tourists were allowed into this village, and their gullibility hasn't been lost on this bright-eyed teenager.

The specks are soldiers of the Indian army, and on the adjacent mountain, Pakistani militarymen who coop themselves in one of the most inhospitable of environments to 'guard the heights' and their countries. Siachen, 'the highest battleground in the world,' is just around the corner.

The village is remote, and its inhabitants are always on the edge of the seat, watching keenly for any onset of hostilities flaring up between the two countries. There is only one road to this village, and once it's taken, you won't encounter another soul for hours.

And so it was, bags stowed in the trunk of BMW's latest monster truck – the X6 – that a photographer friend and I set out on the NH1 to traverse the significant distance between Delhi and Leh – one of the most challenging road journeys in the sub-continent. As that journey has been widely documented, I'll just pick up the thread after we negotiated the

A Machine to Behold

BMW X6

Engine: 2,993 cc, 6 in-line cylinders, diesel, twin-turbocharger

Power: 306 BHP

Torque: 600 NM@ 1500-2500 RPM

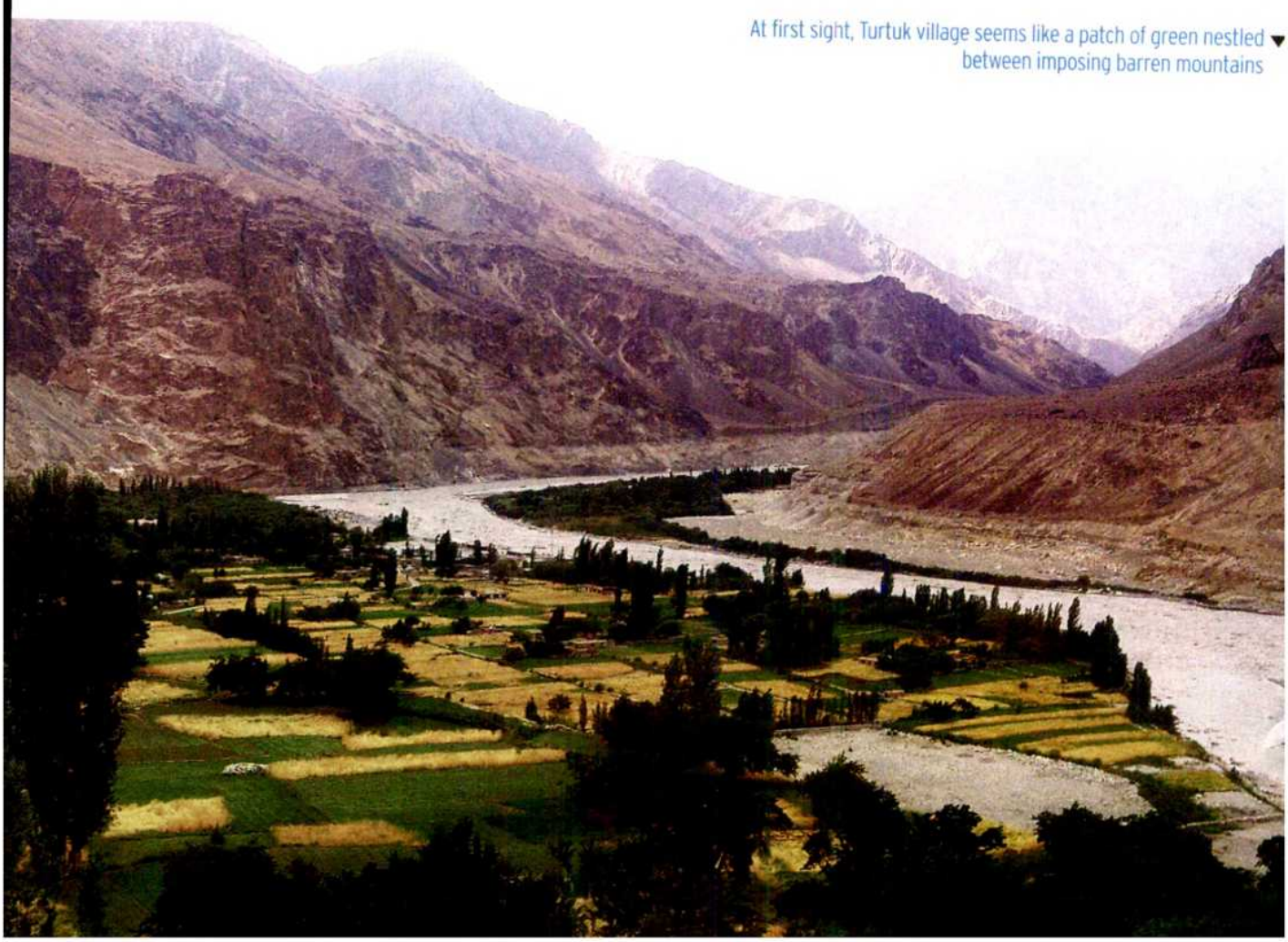
Transmission: 8-speed Automatic

Price: ₹96,70,000

Khardungla Pass and descended into the magnificent Nubra Valley.

A word about the X6. It's a bit difficult to encapsulate this remarkable vehicle in a trite abbreviation: BMW calls it a 'Sports Activity Vehicle.' What you get is a sporty coupe-like cabin mounted on the X5's chassis. If you're one of those people who want a luxurious yet subdued car that'll get you no undue attention on the roads, then don't even consider buying the X6. This SUV (or SAV), with its curvaceous body, enormous size, and gut-wrenching acceleration, screams for attention. It's the kind of car a 30-something rich playboy would drive – loads of oomph, lots of power (306 bhp), the biggest BMW front twin grille in existence, and no quarter given to practicality. To make sure that the vehicle's significant weight doesn't roll while cornering at high speed, the suspension is on the stiffer side, which is great for big long highways, but not ide for potholed roads. And far from ideal f the Khardungla Pass.

But that's to be expected from a veh cle that's built for good roads and, to i credit, the X6 never complained – har dling knee-deep slush at the Passes, loos stones the size of footballs, and even dese sand, with consummate ease. Th 'Dynamic Stability Control,' is on by d fault and keeps the car from sliding o doing anything unexpected irrespective c how unskilled its driver is at the wheel Switch on 'Traction Control,' and powe delivery to all four wheels is regulated t avoid even the least bit of slippage in dif ficult terrain. Going up Khardungla, an nonchalantly breezing through intimidat ing glacial streams with a haughty look on our faces, while other vehicles waite for someone else to take the first plunge was worth every bump. The dashboard is



At first sight, Turtuk village seems like a patch of green nestled between imposing barren mountains ▼

PLACES TO STAY

HUNDER

Nubra Organic Retreat
20 Swiss Deluxe tents with attached loos strewn across eight acres of trees, vegetable plantations and fruit orchards. The owner is a young Oxford scholar who's manic about ecologically-friendly practices. Beware of littering here.

Tariff: ₹4,300 (per two-person tent, inclusive of all meals)

Phone: 01980-200118/ 01980-221070/ 0946976076

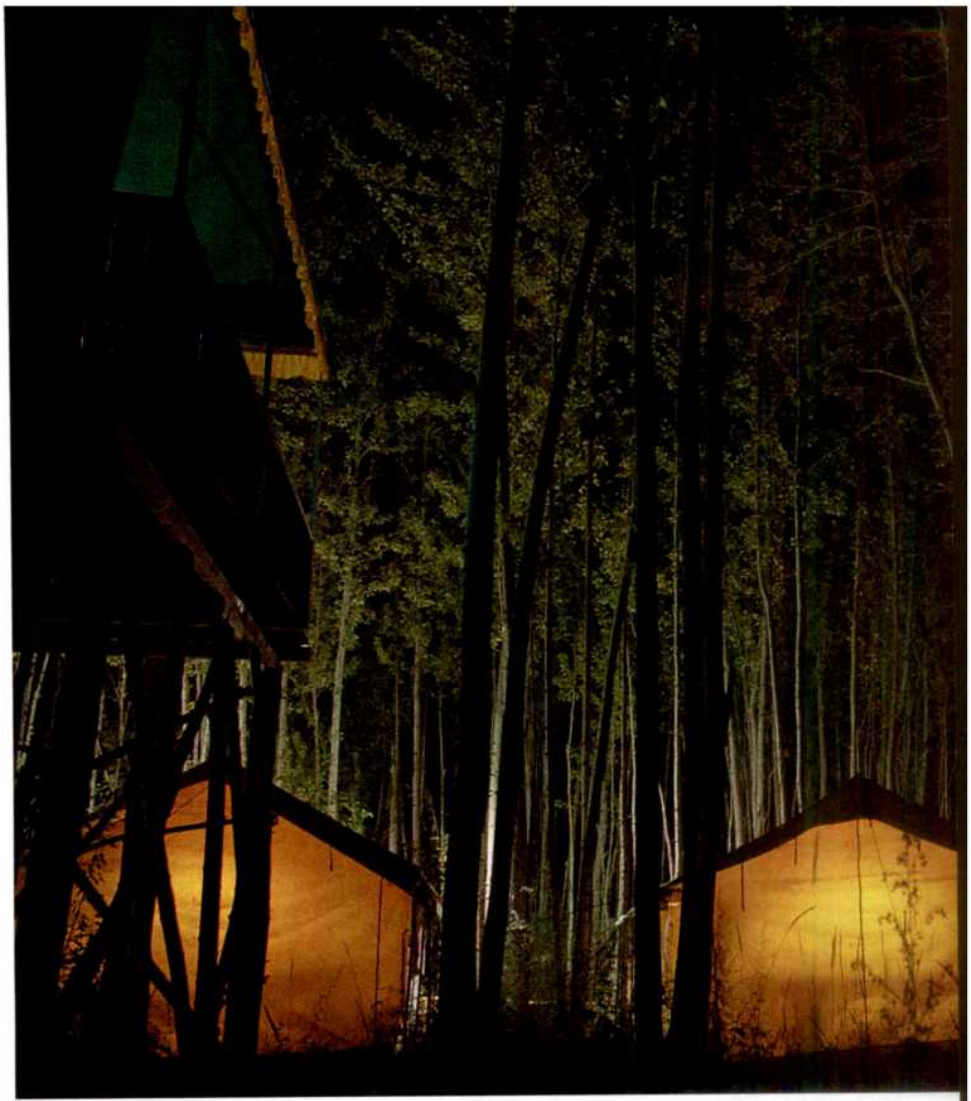
Email: organicretreat@hotmail.com
Website: www.nubraorganicretreat.com

TURTUK

Turtuk Holiday Camp
Tented accommodation located on the side of the main road short of the village.

Tariff: ₹4,000 per tent (Inclusive of meals)

Phone: 09906993123



Tourists can have a pleasant camping experience at Hunder ▲

the same as the old X6 and the i-drive works as seamlessly as you've come to expect from BMW syncing the phone and other media devices to the media console. The only grouse with the X6 is that it's perhaps too refined. It's crazy fast: 0-100 in 6.5 seconds, and you can see that happening when you floor the throttle, but you can't feel it. A bit like a large rocket reaching warp speed without pinning the passengers to their seats.

Most people come to Nubra Valley only to go as far as Hunder, 70 km from K-Pass, where Bactrian camels rove the sands, and tourists head for luxury camps to sit on cane sofas and quaff beer while listening to Hindi music on the radio. We followed suit, and in the seedily luxurious tents of the Organic Retreat, surrounded by beds of cabbage so large that they seem almost vulgar, spent our first night gazing at crystalline stars, lulled by the din of frogs.

As we left Hunder the next day,we drove through the arid cold-desert ecosystem, most of it bereft of the more obvious signs of human folly, and all of it unavoidably gorgeous. The sheer scope of the landscape – some hills are shaped like lunar pyramids, others resemble vast rolling rivers of rock – is overwhelming in the Nubra Valley. We went past craters, stone-stacks, riverside lakes, sand dunes, enormous cliffs, gorges and passes; crossed gurgling creeks, swerved to avoid herds of dzos, pashmina sheep and even the occasional roving Tibetan wolf; and laughed at the limericks which the Border Roads Organisation inflicts on travellers every few kilometres. On the final stretch of the journey, nature seemed hell-bent on testing the car, and us. The wind was gusting at 80kmph, and with every dollop of sand, the visibility was down to the point where even the X6's fog lamps couldn't make an impression. After driving for an hour into what seemed like the void, river pebbles knocking the underbelly, and wild rose thorns pricking its precious Prussian paint, the X6 crying out for the Autobahn, Turtuk finally emerged through the dust cloud just before sundown. A journey of just 70 km had taken us almost seven-eight hours to traverse.

Turtuk is stunning at the first glance. One of only three Balti villages in the country, and the only one open to tourists, it seems like a patch of green nestled between imposing barren mountains. The village is divided into two neat halves by a glacial stream – Youl on the right and Farool on the left (the latter is famous for the best apricots you can find in Ladakh). From a high point overlooking the village near a former Pakistani army bunker now sits a Gompa, from where you can spot military camps on the mountains above.

An Evening in Parsi

Soda Bottle Opener Wala at Gurgaon offers great food, in good humour. BY JIMMY J

Ghelsappo ~ noun:
1. *A person who orders a meatless meal.*
2. *An idiot.*

WHILE THIS TONGUE-IN-CHEEK 'DICTIONARY extract' from the Soda Bottle Opener Wala menu card may evoke a grin even from somebody with veggie sensibilities, it isn't as much a description of the delicacies on offer as an example of some good ol' Irani humour. A visit to this quaint eatery tickles your funny bone as much as it satisfies your palate – paying, at the same time, a tribute to the dying legacy of Irani cafes.

Enter the restaurant and you find yourself in a rainbow explosion – complete with coloured panels, quippy signboards, and glass-top tables lined with Mumbaiiya tea tumblers. It's a place that spurs you to shed that layer of formality and indulge in pure, unadulterated fun. Shouting is encouraged – the menu says – as long as you aren't doing it at the attendants.

The music? Well, you won't find the jukebox playing ostentatiously traditional tunes here; Soda Bottle Opener Wala believes in Abba and The Clovers.

Mutton berry pulao
Sali ma marghi

Meal for two
₹2,000 (approx)

Cyber Hub, Gurgaon

0124-6518801

We start off with a bite into the crusty marghi na farcha, yielding tender meat that drops broad hints on the robust flavours to come. On the other hand, doing justice to some all-time Parsi favourites are the keema baidi roti — minced lamb and eggs folded in a deliciously flaky paratha — and the ubiquitous keema pav, washed down with tangy raspberry soda and the refreshingly mature sekanjeben (plum and gur oozing its sweet-sour essense into chilled lime soda). For veggies, there is spicy mushroom on khari — a medley of melting and crisp textures rounded off with a dash of heat from the cheese. But if I have to pick a favourite, it would be the temptingly fragrant berry pulao (spiced rice and mutton, liberally sprinkled with berries and cashew nuts), paired with sali ma murghi, a tangy chicken gravy topped with potato fritters.

Dessert consists of the lagan nu custard — a delightful twist on the creme caramel — and toblerone mousse, embodying a sinful chocolate high. Delve right in, you don't have to be a Zoroastrian prince to dine like one!

Soda Bottle Opener Wala has everything it takes to make your day – colourful surroundings, a pool table and yummy berry pulao ▲

TURKISH AIRLINES LOUNGE ISTANBUL

the place to be when travelling.

By operating the world's most comprehensive network of 105 countries, Turkish Airlines meets the expectations of its passengers in many ways. But the newest addition to guest comfort is its expanded and refurbished lounge at Ataturk Airport, Istanbul; crossroads of world travel and the airline's hub city.

The lounge, which is already a world-class facility, has added another 2400 m2 to its existing 3500 m2, increasing the size by over 40% in order to meet the needs of growing passenger numbers and can accommodate over 1000 guests. Located in the departure area of Ataturk Airport, Istanbul, the expanded lounge adds a second floor to the existing space and connects them with a spiral staircase that integrates a global sphere, representing the worldwide reach of Turkish Airlines.

It includes a children's playground, library, billiards area, prayer room and teleconference section, free Wi-Fi access, and shower space as well as additional massage beds. In keeping with Turkish Airlines' ongoing support of golf related events as 'Turkish Airlines Open', the lounge includes a realistic golf simulator for passengers interested in trying their skills while awaiting a flight.

Turkish Airlines invites you to come visit its new lounge and experience for yourself the very special environment that has been created to make your travels on Turkish Airlines even more memorable.

NEW SURVEY FINDS ENGINEERING, IT PREFERRED FIELDS FOR JOB-SEEKERS

Bangalore Leads The Preferred City To Work In, Followed By Kolkata

Kolkata: Job-seekers preferred Engineering and IT industries in 2013, a recent pan-India online survey has found. It also found that Kolkata was the second-most 'preferred city to work', after Bangalore.

The survey, **'Employees Outlook towards the Employer',** conducted by Genius Consultants Ltd, a leading HR staffing organization, provides market trends that companies should know for talent retention. Genius has two decades of experience, and is a leader in Executive Search, High Circle Recruitments and Temporary Staffing Solutions in India, having achieved over 100,000 direct placements.

The survey studies the following: Reason for job change, Factors enhancing workplace satisfaction, Preferred HR practices, Preferred industry and Preferred city. Releasing the survey report, Mr R P Yadav, Chairman & Managing Director of the company, pointed out that within the general slowdown of 2013, companies "...also witnessed high profile exits, leaving gaps in succession planning, thus raising questions on efficacy of their talent management policies."

The survey stresses on the essential 'people capital' factor, and points out that "within the crunch economic crisis companies have realized that it is meaningless to treat business and talent separately and thus most CEOs spend more than 50% of their time on talent management." Releasing this interesting survey at a function at the Hyatt in Kolkata on December 20, Mr Yadav said that survey questionnaires were sent to over 55,000 employees, from which 1,145 successful entries were received. At a panel discussion alongside, Mr Nadeem Kazim, Director HR and Personnel, Exide Industries Limited and Ms Indrani Chatterjee, Associate Director, Human Capital, PWC (SDC) Kolkata Pvt. Ltd, stressed on the need for a better understanding of the aspirations of the employees.

Speaking exclusively, Mr Yadav said that the company depended on the "huge database of job seekers" that it maintains, and on the company's 35,000-plus Outsourced Associates in over 850 major clients. "I am sure this survey will provide key pointers for HR managers to correct anomalies that they may have had in their approach," he said.

Key findings of the survey:

- ***Engineering & IT*** *the most preferred industries.*
- *30% looking for a good* ***Work Culture*** *in a new job.*
- ***Bangalore*** *is the most preferred city to work in, followed by* ***Kolkata.***
- *Job seekers have difficulty locating jobs clearly matching their qualifications.*
- *Employees seek out companies with best* ***Training and Development Policies.***
- ***Motivation and support by immediate superior*** *very important.*

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Picture Perfect

Here's something that'll get you stunning pictures and make sure you look great while clicking them too. The Hasselblad Stellar, with its wooden handgrip, 28-100mm lens, f/1.8 max aperture and 20-megapixel 1-inch sensor, packs quite a punch when it comes to substance and style. Click away !

Price: ₹12.8 lakh (approx)

Quite the Phone!

The master of luxury mobile phones, Vertu now brings the Android 4.0-powered Vertu TI. While the titanium casing, leather accents and 3.7-inch sapphire crystal screen make it a fabulous device to look at, its 8MP rear camera and 1.3MP front-facing camera — along with 64GB internal memory and dual core 1.7GHz processor — make the phone technically adequate as well.

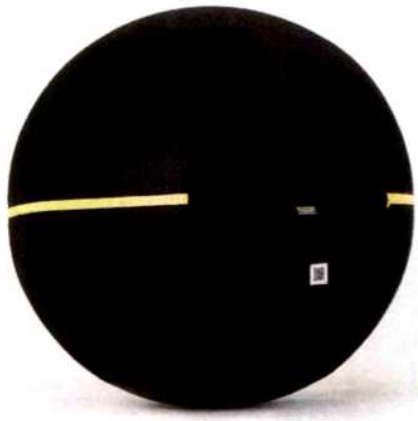
Price: ₹6.5 lakh to ₹14 lakh

Chest of Pride

Adorned with small, finely crafted porcelain tiles, this Jean Boggio Blossom of Jade two-drawer chest is an interesting option for your home decor, and in a shade that will blend in with most interiors. Available at My Tailor Home.

Price: On request

Fit and Fantastic



This one's for fitness freaks running short of time. The Wellness Ball from Technogym promises to correct your posture, improve muscular flexibility and tone up your abdominal area and legs. Just sit on this instead of the regular chair, whether at home or work.

Price: On Request

Everlasting Style

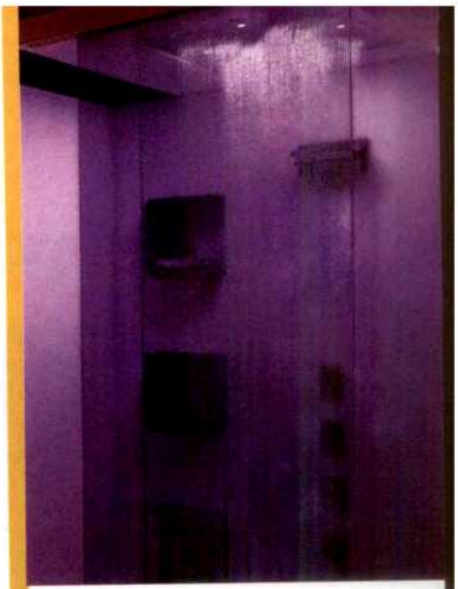
No formal look is ever complete without the finishing touch of a great pair of cufflinks. These classic beauties from Ermenegildo Zegna are truly time-tested. The colour is suitably formal, and the design is one to last many seasons.

Price: ₹18,000 (approx)

Take a Hike!

Part of the latest Adidas Jeremy Scott collection, these hiking boots in tantalising gold make for a fantastic addition to your footwear collection. Sturdy, striking and very trendy, you can pair them with denims, chinos and tracks alike. Also, the colour and design don't make them look overtly chunky either.

Price: ₹14,999



Water Wonder

Showers are no longer about just taking a bath! The Chromo Therapy shower from Queo offers mental and physical wellbeing using chromo therapy. The shower has LED lights in seven colours of the rainbow, each one elevating a different mood – right from peace and enthusiasm to energy and pleasure. Talk about showering in luxury!

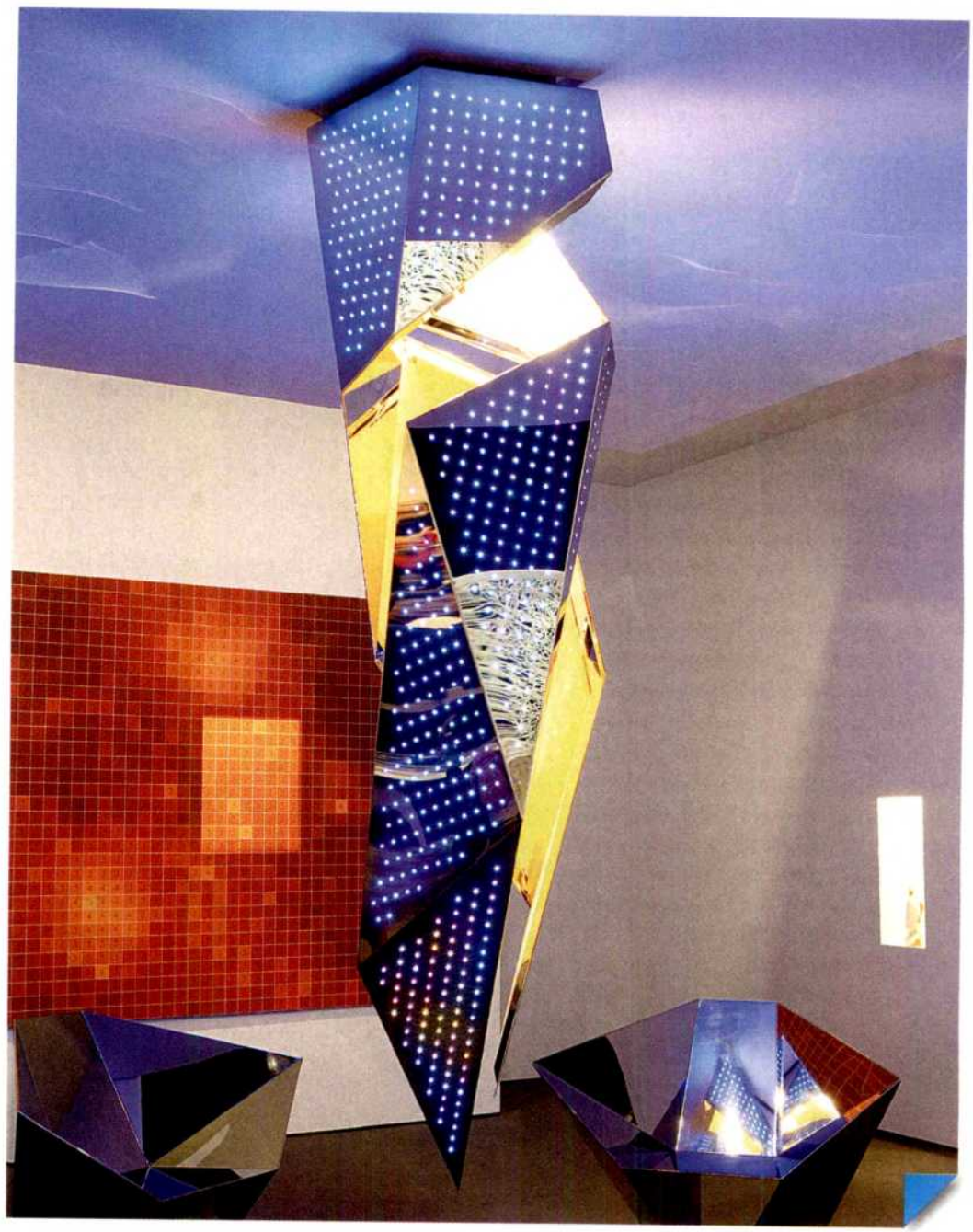
Price: ₹3.71 lakh

Cards of Fashion

No longer does your cardholder have to look black and boring! Get this leather cardholder in wood brown, designed by Ricardo Tisci for luxury brand Givenchy. The colour helps break the monotony, and you can proudly show it off at meetings.

Price: ₹12,000 (approx)

splurge



LET THERE BE LIGHT

TAKING INSPIRATION FROM THE HISTORY OF LIGHT, RENOWNED ARCHITECT DANIEL LIBESKIND and his son Noam have designed the EL Masterpiece Chandelier. The exotic fixture, commissioned by luxury lighting company Zumtobel, is made of up 1,700 LEDs — each representing a section of outer space. It also changes colour every second to symbolise how stars have changed over the years. With exteriors of steel and interiors made of 23-carat gold, the chandelier is nine feet tall and weighs close to 350 pounds. **Price on request.**

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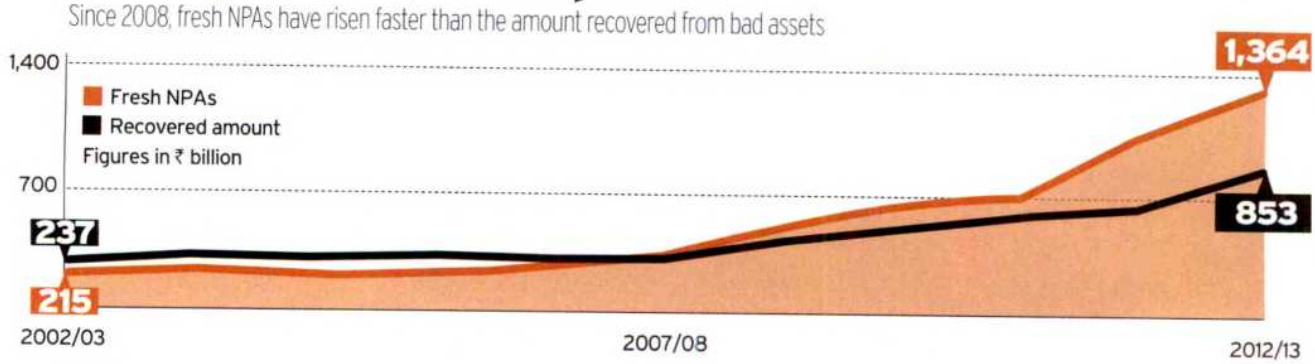
One Step Forward, Two Steps Back

Since 2008, fresh NPAs have risen faster than the amount recovered from bad assets



dle level is also lacking. "The quality of people, clearly, is an issue at state-owned banks. Their pay is also not commensurate with private and foreign bankers," says Nikhil Shah, Senior Director at Alvarez & Marsal India, a firm that helps banks turn around stressed corporate loans.

Rising NPAs are not just hurting banks' profitability but are also reducing the amount of funds available for fresh lending as banks need to make higher provisioning for bad debts. "The older the NPAs get, the more sticky they become and worse they are for the balance sheet in terms of capital cost," says Kumar of PwC. Arun Tiwari, Chairman and Managing Director of Union Bank of India, says banks have to salvage the blocked revenue stream from existing borrowers and also use the available funds to get new customers to make up for the shrinking income.

Banks must also accelerate efforts to recover bad loans. After 2008, fresh NPAs every year have been more than the amount recovered from bad assets. (See *One Step Forward, Two Steps Back.*) "Banks are not well equipped to manage recoveries. We need to promote distressed funds and asset reconstruction companies, and introduce bankruptcy laws," suggests Diwanji of E&Y.

A new threat is emerging from restructured loans, as economic growth continues to be weak and interest rates remain high. Restructured assets in the banking system have crossed 10 per cent of total advances. Uday Kotak, Vice Chairman and Managing Director, Kotak Mahindra Bank, said on a TV channel recently he estimated stressed assets – gross NPAs plus restructured debts – at ₹10 lakh crore, amounting to a quarter of all deposits. This would pose fresh problems for the government, which is deliberating on a bailout package for UBI that includes capital infusion. There was also talk that UBI could be merged with Union Bank of India, which has a stronger balance sheet.

However, the government can't rescue weak state-run banks every time they fall into a crisis. "The government is contributing to banks' capital but it is ultimately taxpayers' money," says Shah of Alvarez & Marsal. So, what should be done to control NPAs? Banks should focus on greater monitoring of stressed loans and early detection of deterioration in asset quality. "Existing methods would seem to be more in the nature of actions which deal with the situation where the horses have bolted the stables, rather than effectively preventing it from happening," says Shroff. "The issue of NPAs needs to be tackled at the level of prevention rather than cure." ◆

Advising caution: Shinjini Kumar, Leader (Banking and Capital Markets), PwC, at her Gurgaon office

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"The older the NPAs get, the more sticky they become and **the worse they are for the balance sheet in terms of capital cost**"

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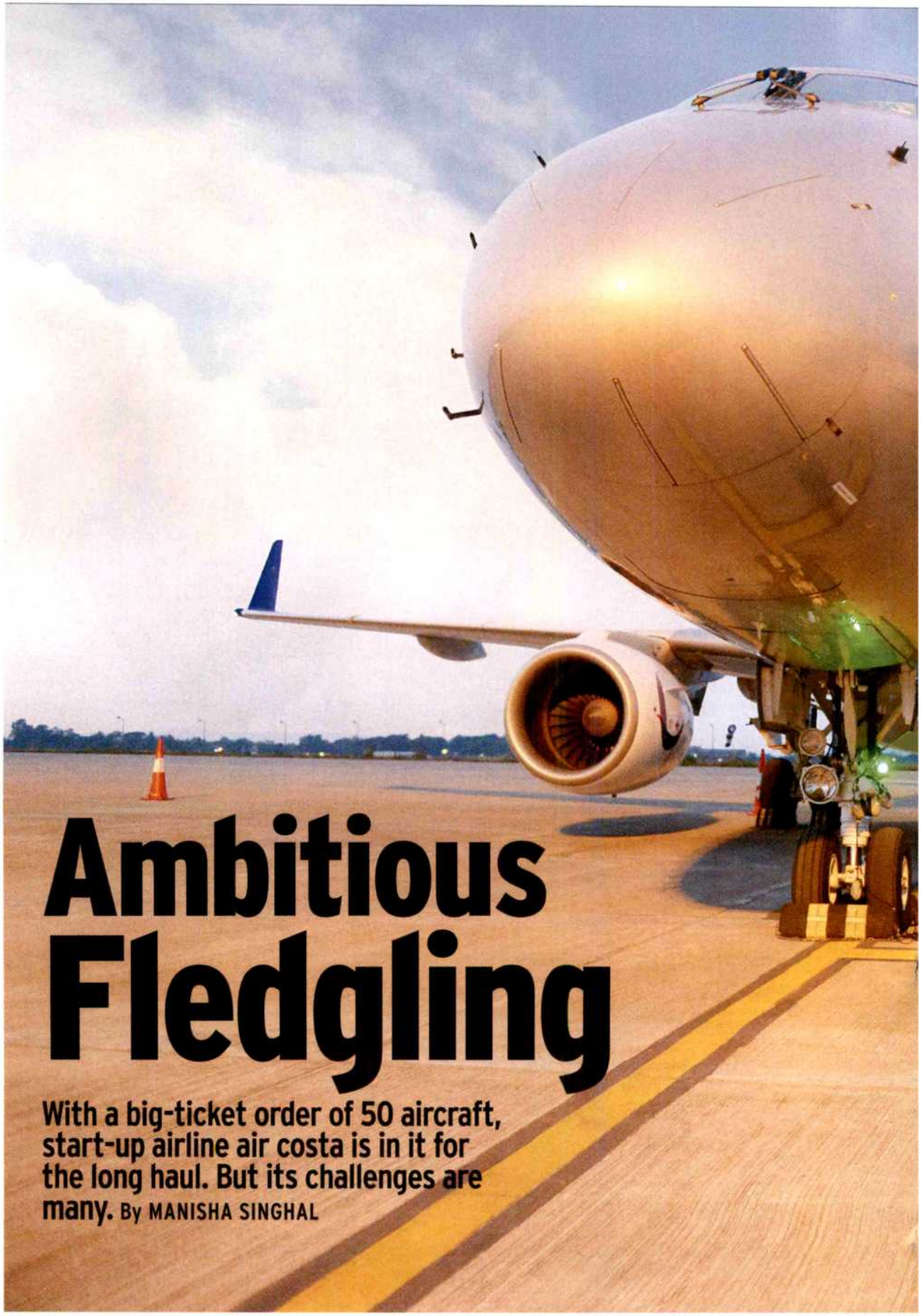

Ambitious Fledgling

With a big-ticket order of 50 aircraft, start-up airline air costa is in it for the long haul. But its challenges are many. By MANISHA SINGHAL

J. KUMAR

When India's new airline air costa placed a $2.9-billion firm order for 50 jets with Brazilian aircraft manufacturer Embraer in February, the message was clear – the start-up was no fly-by-night operator but was in it for the long haul. "The idea to book a big order at the Singapore Airshow was to get noticed and establish the airline," says air costa Chairman and promoter Ramesh Lingamaneni.

air costa took off barely four months ago, but the regional airline's management is already brimming with plans. It connects major southern Indian cities Bangalore, Chennai and Hyderabad to Vijayawada, and also flies to Jaipur and Ahmedabad in the north. The Vijayawada-based airline plans to increase its regional footprint with flights to Madurai, Visakhapatnam and Coimbatore, and eventually spread its wings across the country. K.N. Babu, the airline's CEO, says air costa will have eight to 10 aircraft by March 2015 and plans to add four aircraft every year until 2018 when the new order kicks

Flying High: Ramesh Lingamaneni, Promoter and Chairman, air costa, at Vijayawada airport

in. It also has options to buy 50 more jets. The airline is aiming for 25 flights a day by 2015 connecting smaller cities with the metros. "As in the south, where we connect Chennai, Hyderabad and Bangalore to small towns, so too in the west and north. We will follow the same model as we penetrate those markets," says Babu.

air costa's takeoff has been smooth. It has had passenger loads of up to 73 per cent, repeat passengers and a record of no flight delays. But many challenges lie ahead for the airline, part of the diversified LEPL Group with interests in property development and infrastructure projects. So far, it is still a small one operating from its home turf, and has not expanded into markets dominated by big players such as IndiGo and SpiceJet. Moreover, these airlines have added capacity on the same routes that air costa plans to target, such as Varanasi, Bagdogra and other small cities.

The ride could get turbulent. Apart from IndiGo, many of India's budget airlines have been saddled with massive losses for the past few years due to overcapacity and price wars. A report by aviation consultancy Centre for Asia Pacific Aviation (CAPA) said three carriers – Jet Airways, Air India and SpiceJet – are expected to post combined losses of more than $1.2 billion this financial year. It pegged the industry's accumulated losses over the past seven years at $8.6 billion and debt at $12.6 billion. "It is not aircraft acquisition that is a challenge for air costa but continuous and long-term flow of capital that will be required to keep the business going. Under-capitalisation has been the single biggest challenge for almost all start-up airlines," says Kapil Kaul, CEO, India and Middle East, CAPA.

Saj Ahmad, Chief Analyst at StrategicAero Research, a London-based airline consultancy, is particularly pessimistic because of the weak fundamentals of an already overloaded sector. "air costa, in my view, is just another disaster waiting to happen. I'd like to be proven wrong, but I doubt that will happen," he says. "There is extremely poor value in the Indian aviation market right now."

Ahmad is doubtful about the timely delivery of the Embraer E2 jets and expects them to arrive only by 2020. The airline says it already has plans to lease four aircraft each year until 2018 for six to eight years. "What will air costa do to bridge that gap? They certainly do not have the capital to burn on leasing jets at short notice," he says. "Fifty new jets is a huge number for a market as immature as India's. Making headlines is not the same as making a profit. air costa will find this out the hard way," says Ahmad.

Analysts are also cynical because of the past record of regional airlines. Many regional carriers in India – MDLR Airlines, Jagson Airlines and Air Mantra – crashed soon after their launch because of a combination of financial problems and policy-related issues. Some regional airlines failed when they tried to expand their operations. Chennai-based airline Paramount Airways is another example of a successful operator in the south which could not survive when it tried to go pan-India.

Koustav Dhar, former head of MDLR and Jagson, says many regional airlines failed because none of the stakeholders realised the importance of a primary airport. "People seldom travel between smaller cities and they need a hub to

Kingfisher Airlines
Fleet: 64 Airbus A320s & ATRs
Founded: 2003
Ceased Operations: October 2012
Licence Revoked: February 2013

MDLR
Fleet: Three Avro RJ70s
Founded: 2007
Ceased Operations: 2009

Damania Airways
Fleet: Two Boeing 737s
Founded: 1993
Ceased Operations: 1997

Air Mantra
Fleet: Two Beechcraft 1900Ds
Founded: July 2012
Ceased Operations: April 2013

Paramount Airways
Fleet: Five Embraer E170s
Started Operations: 2005
Ceased Operations: 2010
Licence Revoked: April 2011

ModiLuft
Fleet: Five Boeing 737s
Started: 1993
Ceased Operations: 1996

East-West Airlines
Fleet: Eight 737s and 3 Fokkers
Founded: 1991
Ceased Operations: 1996

Jagson Airlines
Fleet: Two RJ85s
Founded: RSOP permit in 2010
Licence Revoked: 2012

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feed in the passengers," says Dhar, now Managing Partner at Thailand-based Benetone Group, which helps set up airlines in South East Asia. He also has reservations about the ease of getting a pan-India operator permit, saying the cumbersome application process is the reason for the failure of many regional airlines.

Lingamaneni acknowledges these challenges, but is confident air costa will ride them out. The airline's promoters have committed over $100 million over the next five years and are exploring funding options from export credit agencies such as BNDES in Brazil. As it stabilises operations, air costa will look for a strategic investor in a few years. The airline plans to apply for a national air-operator permit by the end of this year. "Funding for the venture will not be an issue, if the business requires more capital, we will get it," says Lingamaneni.

He says the airline's decision to go for 112-seaters will give it an edge over other carriers that use 180-seat jets which do not fly at full capacity. "The leasing firm and manufacturer showed faith in our airline. We have our strategy and we will work it out. We will quietly expand until 2018. We do not want to make any noise in the market and we are here for the long term," says Lingamaneni.

Some industry experts question his choice of aircraft. "This aircraft will not give air costa sops given to 70-seater types and will not be an advantage against the 180 seaters flown by rivals," says Dhar.

Travel experts say regional players tend to be more successful in southern India because they are allowed to connect three metros – Hyderabad, Chennai and Bangalore – and the region accounts for at least 40 per cent of air travel in India. Not surprisingly, SpiceJet is trying to open up smaller routes in the south and IndiGo and GoAir are also looking at the region. Nevertheless, air costa may not find the going easy in southern India because of intense competition. It will have to take on not just established players but also new entrants such as Tata-Singapore Airlines and AirAsia India, a joint venture between the Tata group and Malaysia-based AirAsia. "The challenge is to compete with better and established players in a market looking at a similar price point," says Sharat Dhall, President, Yatra.com.

Experts say air costa's success depends on opening new routes and the development of no-frills airports in smaller cities. G.R. Gopinath, a pioneer of low-cost aviation in the country, says the regional airline will have to create new city pairs such as Mumbai and Agra. "More than 50 per cent of traffic today is coming from Mumbai and Delhi. There are no flights connecting Mumbai to Agra or to the Himalayan pilgrim centres," he says. air costa plans a flight to Shirdi in Maharashtra.

One advantage for air costa is that it is entering the market at a time when there is a push to develop small airports. Amber Dubey, Partner and Head-Aviation at consultancy KPMG, says serious efforts are being made to create the infrastructure for no-frills airports in about 50 smaller cities. "No-frills airports, like their counterparts in the West, can be very basic structures, with no arrival lounges, no X-ray machines, no baggage belts, along with use of remote ATC (air traffic control), use of local police and near-free utilities from the local government," says Dubey.

The CAPA report says the new government is expected to provide a strong push to develop 50-100 low cost airports to increase connectivity between smaller towns. "This is expected to be supported by a new regional airline policy consisting of a package of incentives and concessions to address the viability challenges that have been faced by airlines seeking to address this segment for the market," says the India outlook report for 2015.

air costa is unfazed. The airline aims to tap over 70 per cent of the population that lives in smaller towns and cities as the growing middle class travels more. "We believe that Tier II and Tier III markets will grow at a higher rate than the trunk route markets. We expect the industry as a whole to grow at a 16 per cent CAGR in passenger traffic terms over the next decade, and Tier II and III markets to grow at 18 per cent," says Vivek Choudhary, Chief Commercial Officer, air costa. ◆

@manishasinghal

Big Splash

Large orders by Indian carriers

IndiGo
2005: 100 A320s
2011: 150 A320neos
2011: 30 A320s
TOTAL ORDER VALUE: $21.6 billion

GoAir
2011: 72 A320neos
ORDER VALUE: $7.2 billion

SpiceJet
2011: 30 Bombardier Q400s (15 options)
ORDER VALUE: $915 million

Air India*
2005: 68 Boeing aircraft

Indian Airlines*
(pre-merger)
2006: 43 Airbus

*COMBINED ORDER VALUE: $9 billion

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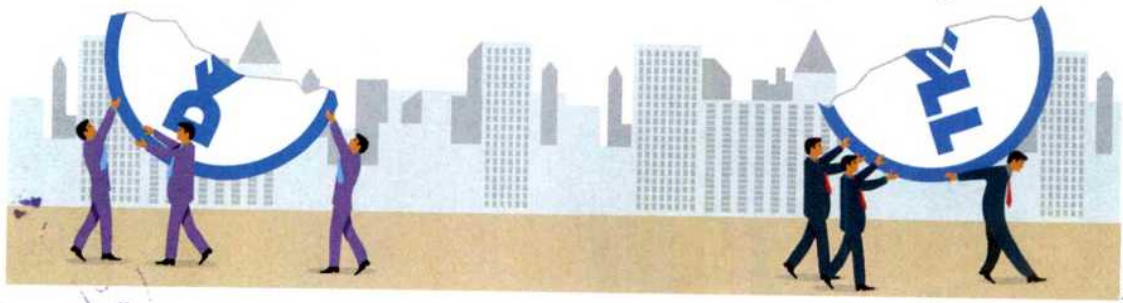
"Taking Dell Private Was Right"



RAMA KRISHNA REDDY Y. L.
IIM Indore, Mumbai Campus

AGREE

"It gives Dell the freedom to invest in long-term growth"

Why does a company go public? To raise a huge corpus of capital required for its growth. But that capital comes with its own risks. Once a company issues shares and gets listed, the prime objective of the top management is to nudge its stock price upwards. This forces it to take sub-optimal, short-term growth oriented decisions in order to add value for the shareholders, and to get every quarter's results better than the previous one.

By going private, Dell can stop worrying about stock performance and save the dividends to invest in future growth opportunities. Owing to the latest technologies and the proliferation of smartphones, the PC market has been shrinking for the last few years. The revenues from Dell's PC segment have gradually reduced from 61 per cent of the total in 2008 to 54 per cent now. Following the downtrend in the PC market, Dell has ventured into other business areas such as servers, services and software and peripherals. It has made several acquisitions to quickly expand.

But Michael Dell faced opposition to this strategy from public investors who felt Dell was investing in risky and unrelated business areas. In a public company, any investment decision is subject to burdensome reporting practices and time-consuming processes. In a private company, one has the freedom to invest in long-term growth opportunities. Private companies are nimble on their feet. As long as Dell can borrow capital on its own asset base, there is no necessity to go public.

KAVEA MADHANAGOPAL
TA Pai Management Institute (TAPMI), Manipal

DISAGREE

"Unless it cuts costs, going private is not going to save Dell"

The transition from 1988, when Michael Dell believed in the capitalistic principle of separating ownership and control, to 2013, when he maintains going private is better for long-term benefits, is a reflection of Dell's incompetence. Why does it need a buy-out for the management to do what it takes?

Michael Dell, who argues against publicly held companies, made the decision to go private based on Dell Inc's short-term stock performance. What do you do when the public does not buy into your strategy of going the IBM way – moving away from low-priced PCs and concentrating on higher-margin services? Apparently, for Dell, it is, 'Blame the public and go private'. Is he hinting that privately held companies are more efficient? Is the concept of investing society's capital in stocks and shares meaningless?

In fact, in Dell's case, the market was very much long-term focused, which is why the Dell stock floated at $13.50 in January 2013, higher than the predicted price of less than $12. Yes, public companies do have certain downsides because of their responsibilities to shareholders, but taking Dell private is only going to limit its options of acquiring companies for future expansions. Though Dell can buy some time by going private, that's all it can do. It needs steady cash flow to pay off all its debts and loans. Unless it cut costs, going private is not going to save Dell in the lacklustre PC and storage market.

The debate continues online. Management students, do log on to *www.businesstoday.in/bschooldebate* and record your views as well, to make this an intellectually stimulating endeavour. The most well-thought out comment wins a year's subscription to *Business Today*.

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The new Nano Promise

Fuelled by five years of disappointment, Ratan Tata's little car wants to erase its 'cheap' past for a 'smart city' future.

By SUVEEN SINHA and SUNNY SEN

The call was unexpected. But when it came, Delna Avari had no doubt in her mind what her response would be. She moved from Bangkok to Mumbai, and from trucks and buses to little cars, "overnight".

That was October 2010. Avari had spent the previous eight years doing short stints in different countries for Tata Motors' commercial vehicles division. She was in Bangkok when Ravi Kant, who ran the company at the time, called. He wanted her to come back to India and join the Nano team. The vision for the Nano, said Kant, had not played out the way they thought it would.

As understatements go, that was like calling a Ferrari a four-wheeled transport for two. The Nano was unveiled in January 2008, exactly 100 years after Model T hit the road and helped ordinary Americans drive every day. The Nano, as the world's cheapest car, was meant to migrate millions of Indians from two wheels to four and prove India's supremacy in frugal manufacturing just as Henry Ford's Tin Lizzie had established the moving assembly line.

However, the month Avari moved, the Nano sold a mere 3,065. It had crossed 5,000 only in four of the 16 months it had been in the market. Its

Washing away the blues: Tata Motors' Ranjit Yadav and Ankush Arora

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installed capacity was 15,000 a month. There would have been periodic increases in it. According to reports at the time, Tata Motors had spent $400 million just on developing the little car, and then some on setting up a new factory in Sanand, Gujarat to produce it.

"When we were planning facilities for the car and working out a business plan, the business plan shown to me was looking at a figure of 200,000. I said the figure is crazy. If we can do this, we should be looking at a million cars a year, and if we cannot do a million then we shouldn't be doing this kind of car at all," former Tata Sons Chairman Ratan Naval Tata said in an interview to the group website in January 2008, on the eve of unveiling the car and giving it a name.

Between two stools

Tata, or RNT, as his executives like to refer to him, remains a guiding light for the group despite retiring at the end of 2012. He was the one who conceived the idea of the Nano. His first doodle, of a car built around the humble scooter, was inspired by the sight of a family perched precariously on a scooter and trying to take shelter under a flyover in typically heavy Mumbai rain. The Nano, with its low price tag, would be the answer to their problems. Years before it came to be named, the concept of the car spread like wildfire as soon as Tata mentioned it in 2003. They called it the world's cheapest car, or the ₹1 lakh car, or – in Hindi – the *lakhtakia gaadi*.

"We left a lot of the positioning to somebody else. The company did not manage the perception"

DELNA AVARI, Head, Marketing, Passenger Vehicles Business Unit, Tata Motors

Avari, brought back to head the Nano project, had to be part of the team tasked with reviving its fortunes. She came amid inauspicious portends. The next month, November 2010, the car plunged new depths by selling a mere 509.

Didn't she come back to India kicking and screaming?

"I was honoured," says Avari with a chuckle, something that is never too far from her countenance. "Anything for the Tata group."

That last bit has to do with her lineage. Her father, like her, worked in Tata Motors, and mother in the group's insurance arm; her sister is with Taj, the group's hotel chain. "We are a Tata family." She is also a

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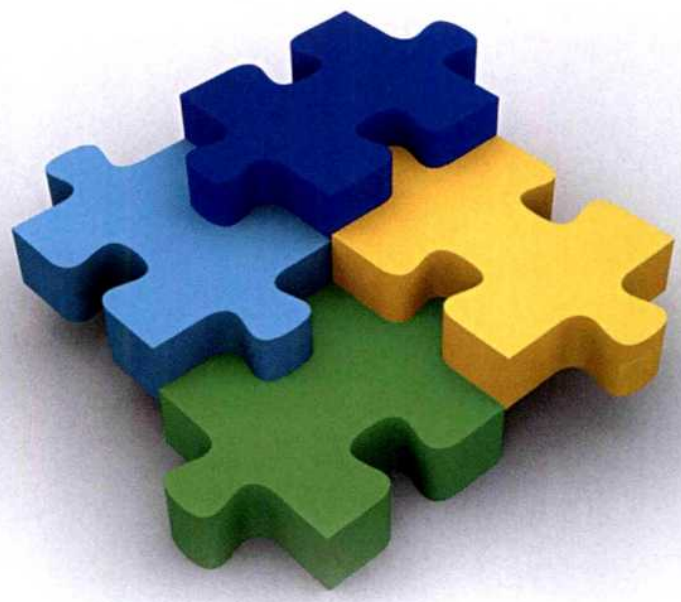

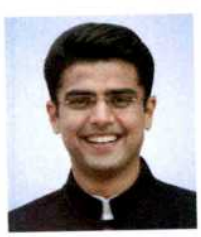

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Setting benchmarks of professional excellence

Nano owner, driven by her chauffeur, and refers to the tiny egg-shaped car as "the little one".

One reward for her unquestioning loyalty was a briefing by RNT, during which he said all he wanted was to provide an affordable personal mobility option to every Indian. "That somehow got translated into *gharib ki gaadi*. We left a lot of the positioning to somebody else. The company did not manage the perception," says Avari.

That wasn't new; Tata had made the point in that interview to the group website. "It was never meant to be a ₹1 lakh car; that happened by circumstance. I was interviewed by the [British newspaper] *Financial Times* at the Geneva Motor Show and I talked about this future product as an affordable car. I was asked how much it would cost and I said about ₹1 lakh. The next day the *Financial Times* had a headline to the effect that the Tatas are to produce a ₹100,000 car."

That price was interpreted as 'cheap'. The current thinking, within the company and outside, sees that as the root cause of all that did not go according to plan with the Nano. "Nobody wants to tell his friends and neighbours he has bought a cheap car. The brand is damaged," says Jack Trout, global guru in marketing strategy. "It is a category that they maybe should not have got into."

Cheap would have been a mistake even a lot earlier. Model T had to be discontinued in 1927 – it had already sold 15 million by then – because Americans wanted more than just a sturdy, affordable car; they wanted style, speed, and luxury, too. It may have been too much to expect Indians to lap up a no-frills car in the 2010s. It is no surprise that the Nano has sold only a quarter of a million in nearly five years.

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"It was never meant to be a ₹1 lakh car; that happened by circumstance"

RATAN TATA
Former Chairman, Tata Sons

It did not help that the Nano, when it came, redefined no-frills downwards: forget stereo, air-conditioning, and power windows, it did not even have a glove compartment. With that, customers became less tolerant of its little quirks such as the different sizes of the front and rear wheels.

"Smart (a small car from Mercedes), too, has wider tyres at the rear. Since the weight was heavy on the rear, we had to go for broader rear wheels," says Girish Wagh, another second-generation Tata employee, who headed the project to create the rear-engine, rear-wheel-drive Nano. The architecture was found the most suited for providing the most interior space – it is indeed surprisingly big inside – and manoeuvrability.

But the quirks stretched a consumer who had already had to wait about a year and a half after Tata unveiled the car to be able to buy one. It hit the road only in the middle of 2009. The first advertisement, reflecting the wait, was all about Nano *aa gayi* (the Nano is here). There were reported to be 200,000 bookings before launch, the deliveries were a fraction of that.

Soon after the cars hit the road came reports of some of them catching fire. Now the low price tag backfired worse than it had for Model T. For the Nano, it was seen as an indicator of low quality, lack of reliability, and absence of safety.

Vanessa Able wrote on London's *Guardian* newspaper's website last month she was so inspired by the idea of the Nano she bought one and took it on a 10,000 km trek across India in 2010. Along the way, people used to ask her if she was not concerned about the prospect of a Nano fireball.

"There were stray cases of foreign objects found in the exhaust system of the car. When the car ran for some time and reached a certain temperature, those objects caught fire. The second reason had something to do

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Nano's Journey

A look at the milestones along the way

May '06 Tata Motors announces a Nano plant in Singur, West Bengal; the planned investment is ₹1,000 crore

2006: Problems start in Singur with Trinamool Congress on the land acquisition issue

2003 | 2004 | 2005 | 2006 | 2007 | 2008

Mar '03 Ratan Tata talks about a ₹1 lakh car at the Geneva Motor Show

Jan '08 Ratan Tata unveils the Nano at the Auto Expo

Oct '08: Tata Motors pulls out of Singur, announces ₹2,000 crore investment in Sanand, Gujarat for the new Nano plant

with the starting system," says Wagh. In some cases the owners – in a sign that they wanted more from the car – had installed after-market equipment like a music system, directly tapping the power and leading to a short circuit.

"Quite a few cars catch fire," says an executive of Maruti Suzuki. "Often it is because of something wrong with the electricals." But the Nano fire, figuratively speaking, proved difficult to douse because it was a "cheap" car. Had it been more expensive, the fires may have been dismissed as a one-off. After all, there were only three or four episodes. But it stuck because people said, "What else would you expect from a cheap car?"

Maruti had briefly toyed with the idea of bringing out a product to rival the Nano but quickly discarded it because first, it was a daunting task to make a car profitably at that price, and secondly, it witnessed a change in consumer behaviour. Says the executive mentioned above: "The bulk of the sales of our cars, 50 to 60 per cent, used to be for the middle model; the base model would get 30 to 40 per cent, and the top model no more than 10 per cent. But a shift happened around that time. The top end started to get significant share and not many buyers wanted the base variant."

It was clear that the consumer now wanted more value for his money even if it meant spending a little more. Cheap was going out. "I do a good bargain" was no longer a good boast to make. The launch of the new Swift by Maruti in 2011 was a case in point. When it came, there was a wait list for the old one. All those in the queue readily agreed to switch to the new Swift, which had more bells and whistles, but cost ₹35,000 to ₹40,000 more than the old one.

As the car buyer wanted better cars, and not a supposed replacement for the two-wheeler, the two-wheeler buyer preferred to wait till he could buy a car that was perceived to offer more value – a real car (see Rama Bijapurkar's column on page 70). The Nano may have fallen between the two stools. It is now trying to get a foothold on the one that is costlier, swankier, and more desirable to the consumer.

Before and After

It was a different India in 2007, the year before the Nano was unveiled. The Nokia 1200, priced at less than ₹3,000, was among the most popular mobile phones. Flat panel LCD televisions were sparse, the ones with bloated backsides were everywhere. Facebook had just come in. Flipkart had just been set up. Laptop computers vied with desktops for supremacy; tablets were what you had when the doctor told you to.

Today, Samsung Galaxy S3, a smart phone priced at more than ₹25,000 is all the rage. LCD televisions adorn most walls in the cities. Facebook has 100 million users. Flipkart is valued at more than $1 billion. You can see tablets in the hands of every other passenger on Rajdhani Express. And yes, there is a Nano variant priced at ₹2,58,000. How did that happen to the *lakhtakia*?

It started with that briefing Avari had with RNT.

"If you drive the Nano, the first thing that will strike you is, 'why do I hear these [bad] things about the

Mar '09: The Nano hits the market

Sep '11: Tata starts exporting Nano to Sri Lanka, Bangladesh and Nepal

Nov '12: To fight poor sales, top-end Nano gets alloy wheels, glove box, and music system at no additional cost

2009 | 2010 | 2011 | 2012 | 2013 | 2014

Nov '10: Nano sales hit all-time low, only 509 units sold. Delna Avari called back to India to take charge of Nano Project

Mar '12: Tata announces first price hike for the Nano, a humble rise of ₹2,000

Aug '13: "Celebrate Awesomeness" campaign starts to target urban youth

Jan '14: Tata Motors launches the new Nano Twist

car?' RNT wanted more and more people to experience the product, instead of talking about it without experiencing it," says Avari. Secondly, he wanted the car supported from all quarters. "The Nano innovation happened within Tata Motors: product, manufacturing, and sales; not outside."

Avari, and the save Nano team, set about managing the "outside". There was always help available from Wagh, as Avari began to frequent the company's mother factory in Pune as well as the Nano factory in Sanand. Ankush Arora, head of sales and marketing, was a core part of the team. Ranjit Yadav, having made a name for himself as the head of Samsung India's mobile phone division, joined Tata Motors in October 2012. He joined a few days after Karl Slym, the managing director who fell to his death from Bangkok's Shangri-La hotel in January this year.

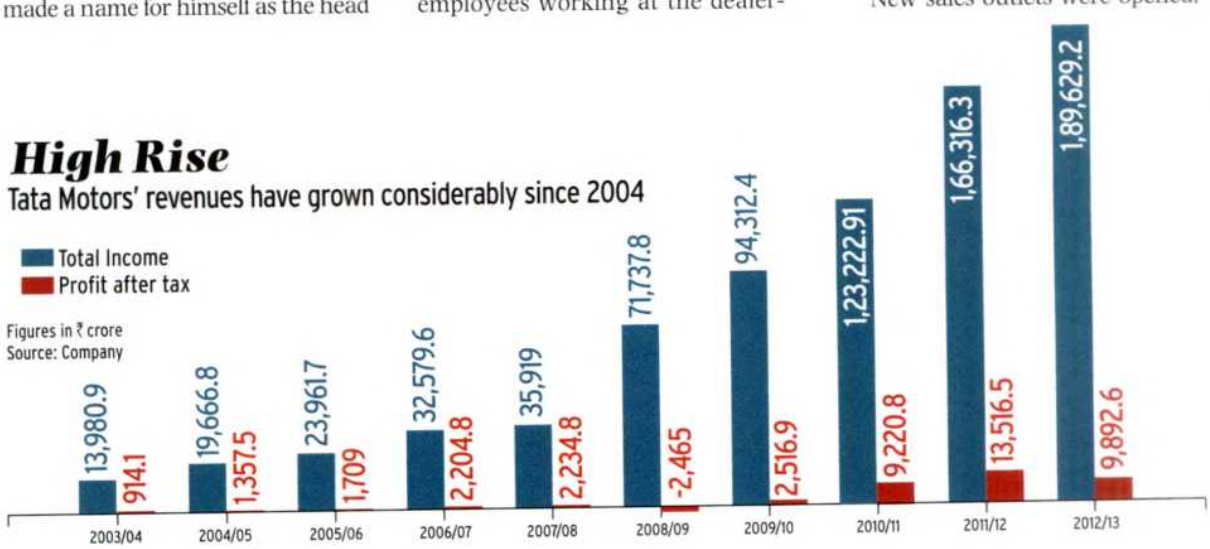
When Yadav joined, Tata Motors was the country's third-largest carmaker but ranked 12th out of 12 in JD Power's sales satisfaction survey. In service, too, it was not in the top six. "Clearly, your consumer had to love you because you made it hard for them to buy from you. Clearly, we had to improve our sales and service experience," says Yadav.

Tata Motors had several of its employees working at the dealerships, at times 16 touching each dealer. "If you went into a dealership in those days, you would probably have shaken the hands of a Tata employee and not a dealer's," says Yadav. The dealers told him it was too complex to deal with Tata. They did not know who to listen to. Today each dealer has one person to talk to on sales and one on service. "I would say we are five times easier to do business with than we were 15 or 16 months back," says Yadav. The JD Power ranking on sales experience last year jumped five places to seven. "It's still not good, but at least some of the things we are doing are starting to trend upwards."

New sales outlets were opened.

High Rise

Tata Motors' revenues have grown considerably since 2004



The walk, not the talk, may be the problem

By Rama Bijapurkar

An illiterate housewife will tell you that a cheap cooking oil, though with ultra modern packaging, is more expensive in the long run because it is more *chikna* and clings to the sides of the pan, requiring more oil to make *bhindi ki subzi*. A low-income mother will tell you that two pay channels for movies is good value because then her mother-in-law will stay at home all evening with the kids and she can go to work and command the higher night-time premium wages from richer working women. Customers – rich or poor, illiterate or PhD – always choose the option that the computer in their head calculates as the option with the highest value.

A simplistic model of how this calculation is done is that consumers see each option (including the "don't buy now") as comprising a set of benefits (rational and emotional – even for B2B customers!) and a set of costs (cost, as they see it, is not just price) – that's where many marketers go wrong in their simulations. A car's 'cost' could be processed as EMI, running cost, and, if they think it's a fragile vehicle, the likely cost of repair when driving on potholed roads with other large cars and brutish drivers.

Using the value processing algorithm in their heads, each customer arrives at a net value for each option – net value being the value added from benefits less the value taken away by costs. They then pick the one with the best net value. Do different groups of consumers have different value processing algorithms? Of course they do. But if you believe unsophisticated or less educated consumers do not know how to do this, think again. How much value a person attaches to something is dependent on his life context and mental makeup.

A young, well educated and well employed first-time intending car owner for whom a two-wheeler is not an option will process the value delivered by a Nano's benefits and costs very differently from a 40-year-old, middle-class, self-employed small services provider who wants to upgrade to a car from his high-end motorcycle. The other options that each considers are also different. The question is in which situations (and for how many people) was the Nano seen to be the best value option, meriting purchase?

Clearly, it wasn't seen to be the best value option for large enough numbers – or it would have sold more.

old ones were refurbished. The documentation for getting a loan was made easier. The acquisition cost of the Nano was low, but the car's life cycle cost had to be brought down. So Tata announced a four-year warranty. "We did it also because there were these funny things being stated about its reliability. It was already the most fuel-efficient petrol car," says Avari.

The network taken care of, the team turned to the customer. Avari, who was promoted to head marketing for all of Tata's passenger vehicles in August last year, says they started thinking of those who would want the Nano as their first car upon turning 18. "How can they want it from age 14 and bug their parents till they get it? How do you speak their language?"

That's how the repositioning of the Nano started in August-September 2011. After long-winded conversations with RNT and Ravi Kant, they prepared a plan for the next five years.

Twist in the Nano Tale

As a manifestation of the plan, cheap is out, awesomeness is in. Jagdish Khattar, who ran Maruti in the years that the idea of the Nano excited and enthralled everyone, says that should have been the case from the beginning. "I would have given this car to people who owned Mercedes and told them, 'Sir, this is your third car, take it when you go out to walk your dog in the park. Everyone will buy a car if they think it is the one that the well-heeled drive."

One explanation for this being put out is that the Nano-related communication distorted its perceived value to consumers. That "low price" made consumers interpret it as "low status" and inferior in benefits – because Indian consumers are programmed to think that low price means poor quality. However, that isn't true at all. Consumer perceptions are shaped by suppliers' conduct, and in the past 15 years Indian consumers have experienced low-priced but stylish dual-language keyboard and camera feature phones (thank or blame Nokia for that), have seen IndiGo do cheaper and better flights, and have seen prices of durables drop and quality go up. The pavement fashion streets have got a lot better merchandise and styles and the same goes for everything imported that we find on the street.

So it isn't the Indian consumer's psyche that's to blame; perhaps it's the lack of communication of the Nano's benefits. But perhaps it's not the talk, but the walk that is the problem. Perhaps consumers' computers are processing what's available and telling them that the value lost from the additional EMI is more than offset by the value gained by better features if they buy a more expensive car. Forking out ₹3 lakh at one go is impossible for them. But paying it as EMIs may merely mean two less family outings each month to the multiplex.

If at current interest rates, the "Benefit minus Cost" of the next level of cars is poor value, we know of consumers who say that one or two years later I will earn more and the EMI will come down, and then it will be good value. So why not defer the purchase till then rather than settle for an option that gives lower value today and tomorrow?

"Stretch for more" and "wait if you must, rather than settle for less" are the mantras of the new Indian customer. That's what an aspirational, upwardly mobile society is about. And 'more' and 'less' is not about price; it's about value, which is the aggregation of benefits and costs, rational and emotional, price and other costs too. ◆

The writer is a market strategy consultant and author of Customer in the Boardroom – Crafting Customer-Based Business Strategy

Avari swears the affluent always drove the Nano. "When we launched, and through the booking phase, the car was picked up by the well-heeled; 80 per cent of the buyers wanted it as their third or fourth car." She sees evidence of this every day around her house in Mumbai's upscale Cuffe Parade area, which she says is full of Nanos. "All of them are driven by their owners. Mine has a driver because I get stressed driving." That is rich coming from someone who learned to drive on a Sumo and saw people jump out of the way on seeing a girl driving the burly utility vehicle.

The effort now is to hold on to the affluent buyer, and also move down in age to catch the urban youth, who have always liked the Nano, but whom Tata Motors, busy trying to appeal to the humble first-time buyer, never consciously wooed.

It is ready to make amends now. "From the time of the Nano's launch to 2010, 20 per cent of the

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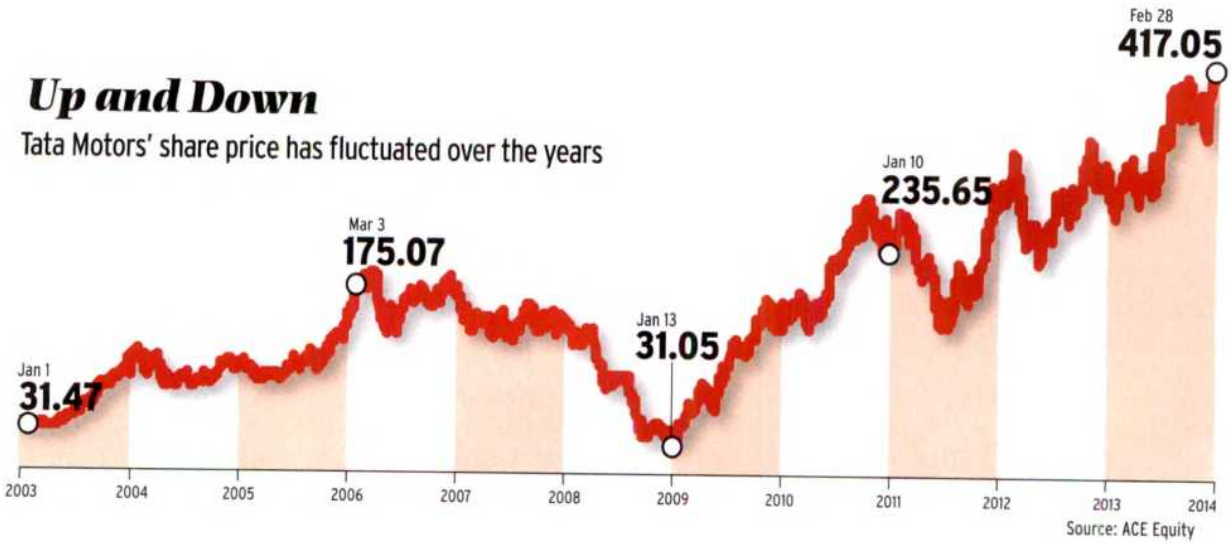
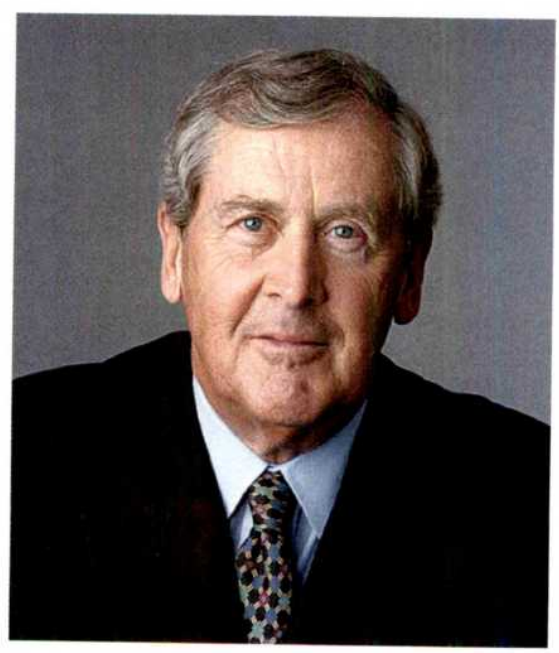


buyers were in the age group 25 to 34. Today, 45 per cent are. Obviously my consumer set has changed. Our task is to bring in more of those buyers for the simple reason that 55 per cent of our population is within the age of 25. Those are the buyers who are going to come into the market. If we don't get those buyers, we will probably miss the bus," says Arora, the sales and marketing head.

Nano's advertising today, in contradistinction to the first Nano *aa gayi* campaign, is an explosion of colour and music, with young people apparently having fun while doing things few do in real life, and Masaba Gupta taking the covers off an electric blue Nano. Gupta is the young sensation on the fashion designing circuit, who was earlier a symbol of women's liberation as a child born out of wedlock to West Indian cricketer Vivian Richards and Indian actress Neena Gupta. "We wanted to connect with [the urban youth] on the phenomenon of celebrating achievement, or celebrating what you stand for," says Arora.

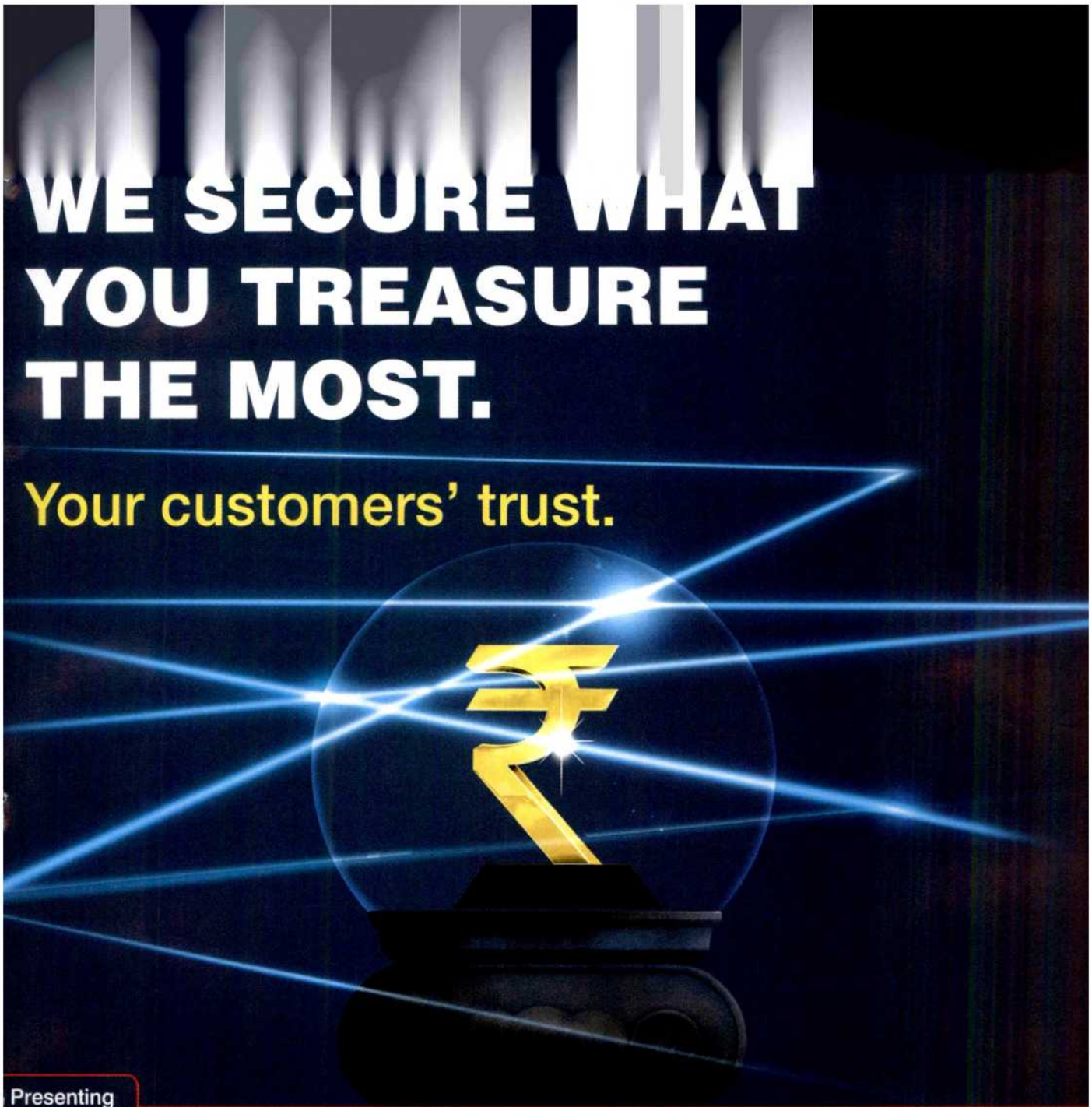


Coming days after Cyrus Mistry, who replaced Ratan Tata as the group's Chairman, said the Nano would be repositioned as a "smart city car", the commercial raced to five million views on YouTube in 30 days, more than any other car commercial had garnered, according to *The Economic Times*.

But if advertising alone could do the job, Martin Sorrell would be the king of the world. The Nano's new aspiration had to be constructed in drafting rooms and workshops. It went through several changes as newer versions emerged in 2012 and 2013. The latest, called the Nano Twist, is as different from the one first seen in 2008 as Mamata Banerjee, the West Bengal politician who drove out Tata Motors, is from Narendra Modi, the Gujarat Chief Minister who sent an SMS to Ratan Tata inviting

"Nobody wants to tell his friends and neighbours he has bought a cheap car... It is a category that they (Tata Motors) maybe should not have got into"

JACK TROUT, Marketing guru



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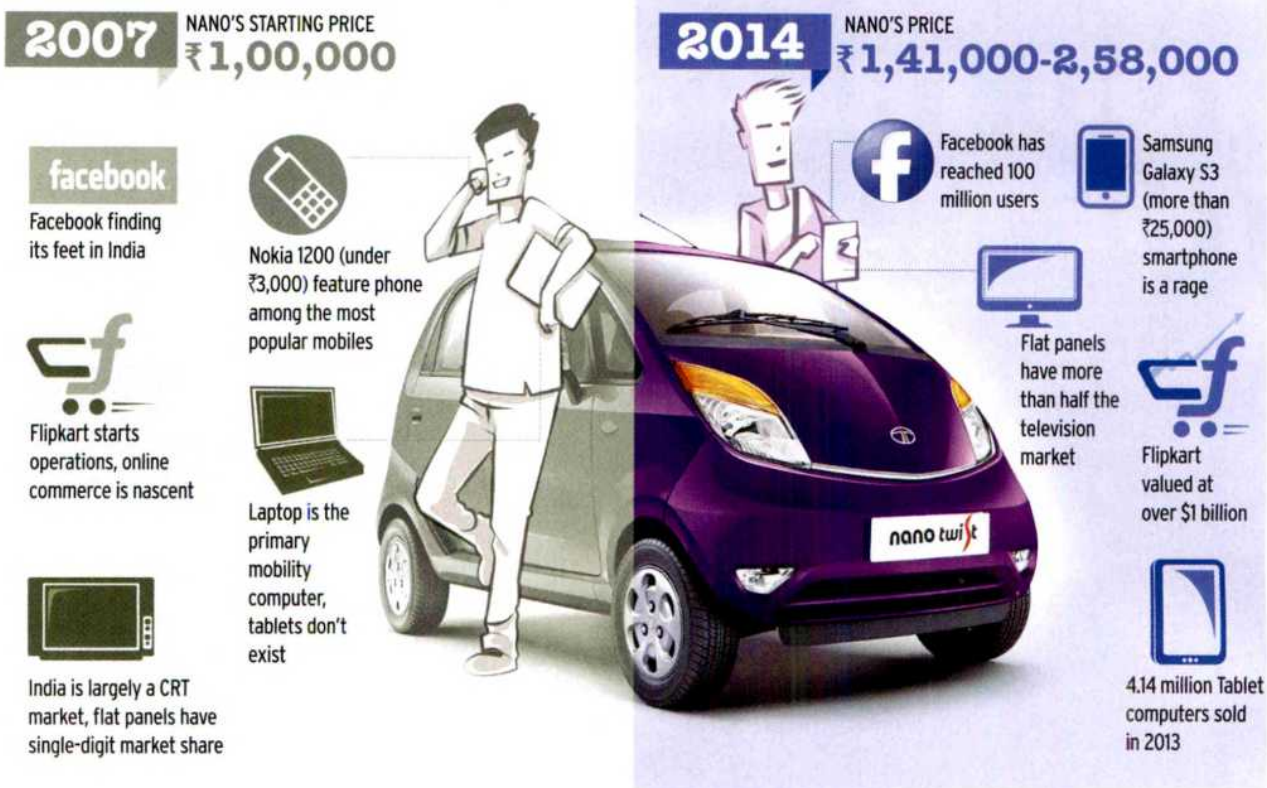
Then & Now

The consumer has changed in the six years since the Nano was unveiled



him to set up shop in Sanand as soon as he heard of Tata's decision to move out of Singur.

From an engineering perspective, it is more refined and has a better steering wheel – a power steering, no less. Wagh tweaked its suspension for better ride quality and added an anti-roll bar in front. The result is reduced body roll and better stability at corners. The power train was improved to increase peak power and torque, and the exhaust system for a more refined feel.

As it began to come in new vibrant colours like "damsel purple" ("I have a shirt in that colour," says a gleeful Yadav), the Nano sprouted a glove compartment, a modern music system with Bluetooth connectivity, and keyless entry. And yes, an additional layer has been added to the entire electrical system to prevent fire.

February's Auto Expo in Greater Noida gave a glimpse of the big things in store for the little one. The Tata Motors pavilion displayed a Nano with automatic manual transmission, which appears to be the new tune many carmakers are singing to lure buyers. The technology makes city driving easier by doing away with the clutch. Maruti Celerio is already off the block, reportedly getting half its orders for the clutchless variant.

Of course, the prices, too, have risen. Nano Twist's price takes it into the territory of Maruti's Alto, which has remained the largest selling car in the country, or thereabouts, for many years. Ratan Tata, when he unveiled the first Nano at ₹1 lakh, had famously said, "A promise is a promise." Is it a different promise now? A promise with a Twist? "That product had a particular value proposition and it was very disruptive. The value proposition has changed completely, but even today it is significantly disruptive," says Wagh.

He would be hoping it would not only be disruptive but also attractive. The economy is growing at nearly half the rate at which it was growing when the Nano made its first appearance on Indian roads. That means less money in the hands of potential buyers. Secondly, talking to CNBC's *Managing Asia* programme in Singapore last November, RNT had said: "Maybe it (the Nano) gets launched in another country like Indonesia, where it doesn't have the stigma and the new image comes back to India. Or maybe as a changed product that gets marketed in Europe. There's a lot of interest in Nano outside India." ◆

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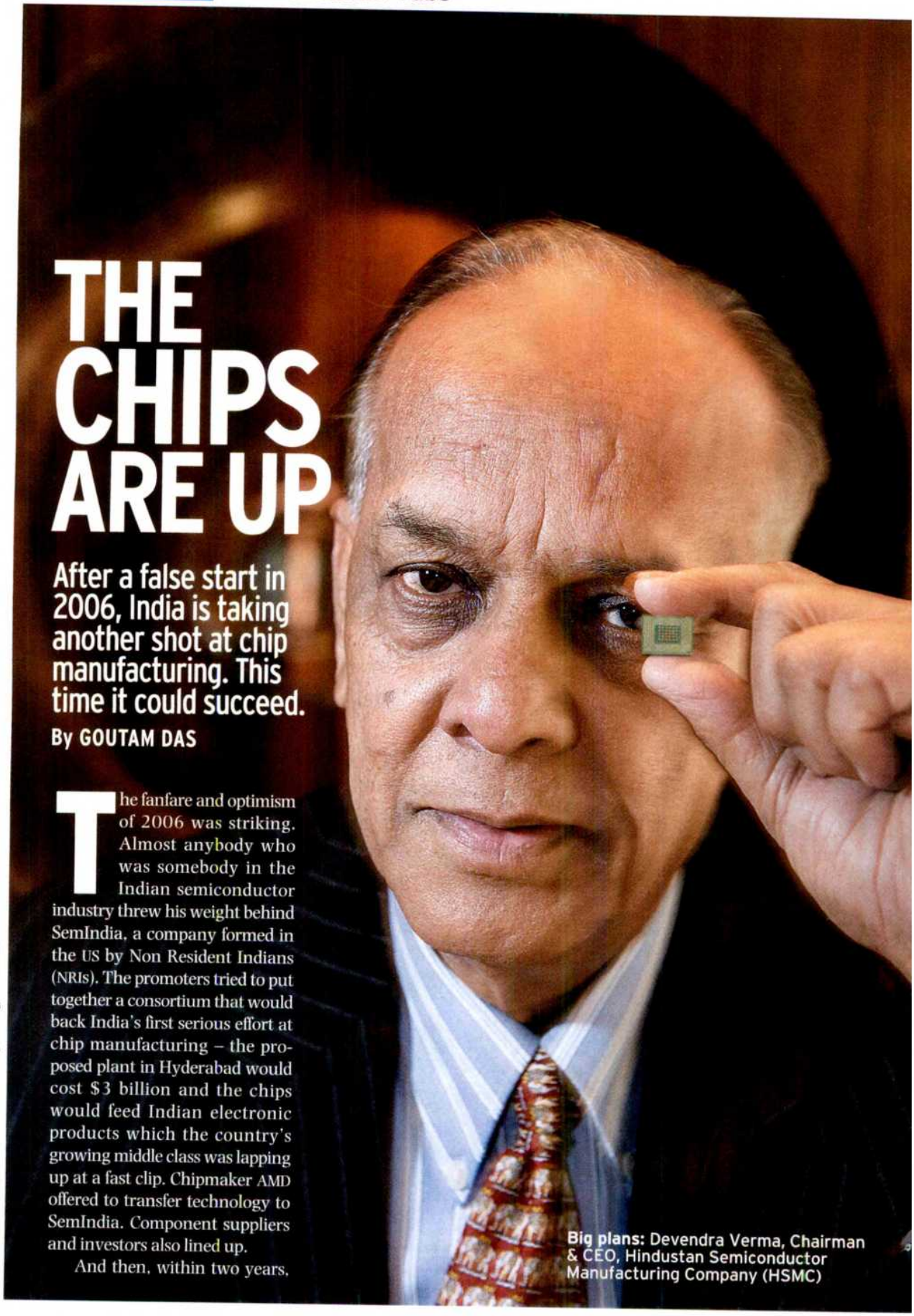
THE CHIPS ARE UP

After a false start in 2006, India is taking another shot at chip manufacturing. This time it could succeed.

By GOUTAM DAS

The fanfare and optimism of 2006 was striking. Almost anybody who was somebody in the Indian semiconductor industry threw his weight behind SemIndia, a company formed in the US by Non Resident Indians (NRIs). The promoters tried to put together a consortium that would back India's first serious effort at chip manufacturing – the proposed plant in Hyderabad would cost $3 billion and the chips would feed Indian electronic products which the country's growing middle class was lapping up at a fast clip. Chipmaker AMD offered to transfer technology to SemIndia. Component suppliers and investors also lined up.

And then, within two years,



VIVAN MEHRA/www.indiatodayimages.com

Big plans: Devendra Verma, Chairman & CEO, Hindustan Semiconductor Manufacturing Company (HSMC)

everything collapsed – the government incentives offered then were too little for a project this big. By 2009, the founding team led by CEO Vinod Agarwal exited SemIndia and the company shelved its fab dreams.

After eight years, another chip story is being scripted in India. Only this time the chances of success look brighter. This year's Valentine's Day was one two companies will not forget in a hurry. On February 14, the Union Cabinet approved two semiconductor manufacturing facilities. These ventures will be led separately by Jaiprakash Associates and Hindustan Semiconductor Manufacturing Company (HSMC). Cumulatively, the companies propose to pump in more than ₹63,000 crore – one of the biggest investment announcements so far in the domestic manufacturing sector. Building a chip plant can cost between $3 billion and $5 billion depending on the technology used.

Another group of NRIs supporting India's chip manufacturing initiative, has also emerged. In his mid-60s, Devendra Verma is a US -based venture capitalist (VC) and entrepreneur. He is the founding General Partner of Edgewood and Redwood Ventures and as a VC has invested in over 80 companies. He is Co-founder, Chairman and CEO of HSMC. Verma has been hopping from one meet to another like a 20-year-old entrepreneur doing his first start-up. "I have more energy that both of you," he told this reporter and the photographer when *Business Today* met him at a New Delhi hotel. Wolfing mini-samosas dipped in mint chutney, he explains why India stands a better chance of success now than in 2006.

The domestic market, to begin with, has changed. There is a proliferation of electronic gadgets, from tablets and set-top boxes to personal medical devices and automotive applications. The overall electronics product market in India was around $39 billion in 2010. It has grown to $51 billion in 2013 and is expected to touch $65 billion by 2015, according to a study by semiconductor industry lobby India Electronics and Semiconductor Association (IESA) and business consulting firm Frost and Sullivan. All these products need chips to run and India has been importing all of it. The government's support, critical to chip manufacturing considering it is a capital expenditure business, has also jumped manifold. "What was missing earlier was the government's involvement. That has improved a lot in the last couple of years. We saw an aggressive energy, there is awareness and that has resulted in the semiconductor manufacturing approvals," Verma says.

Apart from a basket of incentives the government has agreed to dole out, chip manufacturers are also likely to benefit from India's Preferential Market Access (PMA) policy, which mandates domestic sourcing for some products. "Our chips can be used at least for government products that are manufactured in India," says Verma. The government is worried about the country's huge electronics import bill – according to the Ministry of Commere, India's electronic goods imports stood at over $31 billion in 2012/2013. The government has also realised that IT hardware is now becoming central to almost all manufacturing, says Ajay Shankar, Member Secretary of the National Manufacturing Competitiveness Council (NMCC). "In the last 20 years, there has been a decline in domestic value addition. That needs to be reversed. The hardware electronics industry is also labour intensive. Therefore, in theory, it should be possible for India," he adds.

An industry executive, who did not want to be identified, points out that SemIndia failed mainly because of government flip-flops. SemIndia did receive initial encouragement from Dayanidhi Maran, the minister for Communications and Information Technology in 2006. "Things changed dramatically for the worse after Andimuthu Raja took over the ministry's reins from May 2007," the veteran said.

The subsequent financial meltdown after the collapse of Lehman Brothers in 2008 also played a part in keeping investors away from the chip manufacturing sector. This is no longer a problem in a recovering

AT THE FRONTIER

Companies investing in chip manufacturing

HSMC

(with ST Microelectronics and Silterra Malaysia Sdn. Bhd.)

COST: ₹29,013 crore

CAPACITY: 40,000 WSPM*

LOCATION: Prantij, Gujarat

Jaiprakash Associates

(with IBM and Tower Semiconductor Ltd Israel)

PROJECT COST: ₹34,399 crore

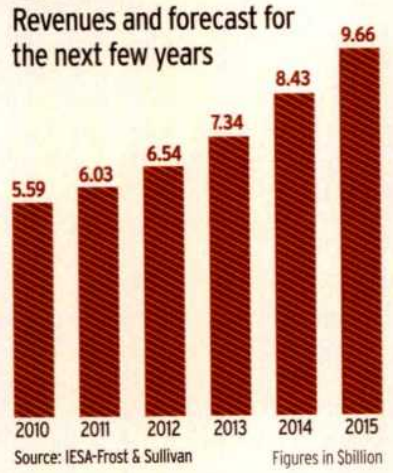
CAPACITY: 40,000 WSPM*

LOCATION: Yamuna Expressway, UP

* Wafer Starts Per Month

INDIAN SEMICONDUCTOR MARKET

Revenues and forecast for the next few years



Source: IESA-Frost & Sullivan

Figures in $billion

For interview with Intel Corporation's CFO Stacy Smith, go to www.businesstoday.in/stacysmith-intel

global economy, observers say. Verma says HSMC's fab (chip fabrication unit) will be financed by mostly multinational financial institutions. Jaiprakash Associates will also raise debt from banks. Yajulu Medury, the COO of Education at Jaiprakash Associates, who is involved with the fab project, does not see a problem in achieving financial closure.

However, there are sceptics galore who think that even if financial closure is possible, making the plants run profitably is a difficult task. "Very few fabs at this point in time are making margins across the world. There is stiff competition given the way the prices of chips are declining. The situation has probably worsened in terms of financial viability," says Ganesh Ramamoorthy, Research Director at technology advisory Gartner. The semiconductor business is cyclical and profitability can be difficult to sustain largely because of high fixed costs – fabs need to continuously invest in technology equipment and corresponding depreciation expenses are typically high. The Semiconductor Manufacturing International Corporation, one of the most advanced foundry in mainland China, reported a profit of only $23 million in 2012 on sales of $1.7 billion. In 2011, it reported a loss. Similarly, Taiwan's UMC made a profit of only $107 million on revenues of $4 billion in 2012, a profit margin of less than 3 per cent.

Industry observers are also sceptical about the cost competitiveness of the made-in-India chip. What stops a local product company from being seduced by a lower priced chip from Taiwan?

Verma of HSMC vouches India can do well. The India chip can be reasonably priced because design costs will be cheaper than other Asian countries while manufacturing expenses remain the same everywhere – all foundries in Asia import equipment and material from other countries. "The labour costs in India are the same or lower than China. The talent here is better than China, especially in design. We can design the chips at a much cheaper rate than anybody else," Verma explains. "The cost of a fab technician would be $25,000 to $30,000 a year in Singapore. Indian salaries would be one-eighth," he adds.

These are early days but Verma says he has assembled a crack team who can not only build the fab but also get the business. But rolling out the first chip can take anywhere between 24 and 36 months. And then there is this long road to profitability. "The break even period for a fab with the current incentive structure could be seven to 10 years," says Medury of Jaiprakash Associates. The company expects to start building the fab in January-February next year. Industry watchers and investors alike have a long wait at hand. ◆

@Goutam20

LOLLIPOPS

State incentives for chip manufacturers:

- 25% subsidy on capital expenditure, tax reimbursement
- Exemption of basic customs duty for non-covered capital items
- 200% deduction on expenditure on R&D
- Investment-linked deductions under Sec 35 of the IT Act
- Interest-free loan of approx ₹5,124 crore

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The Big Switch

Jeff White is trying to change Cisco India from an equipment maker to a services and solutions company.

By SUNNY SEN

About three years ago, engineering colleges at the Birla Institute of Technology and Science (BITS) faced a huge shortage of faculty. The problem extended across all four BITS campuses – Pilani, Goa, Hyderabad and Dubai. Unable to recruit more, BITS tapped its alumni network in technology companies for a solution. One alumnus, a senior executive in Cisco Systems, came up with the answer: virtual classes. He helped deploy TelePresence (TP) video conferencing services in each college and connected them so that professors at one college could take classes in other colleges without travelling there. "In the last one year, 37 courses have been taught across campuses over TP," says Rahul Banerjee, a computer science professor at BITS Pilani. "We are considering expanding our TP solution."

Why is Cisco Systems, the world's biggest networking equipment company known for switches and routers, selling video solutions? The reason is purely economic. Over the years, the $48.6-billion technology giant's traditional business has been facing shrinking margins and low growth. Moreover, competition from Polycom, Juniper Networks, Hewlett-Packard and Palo Alto Networks is nipping at its heels, even though it still has the largest market.

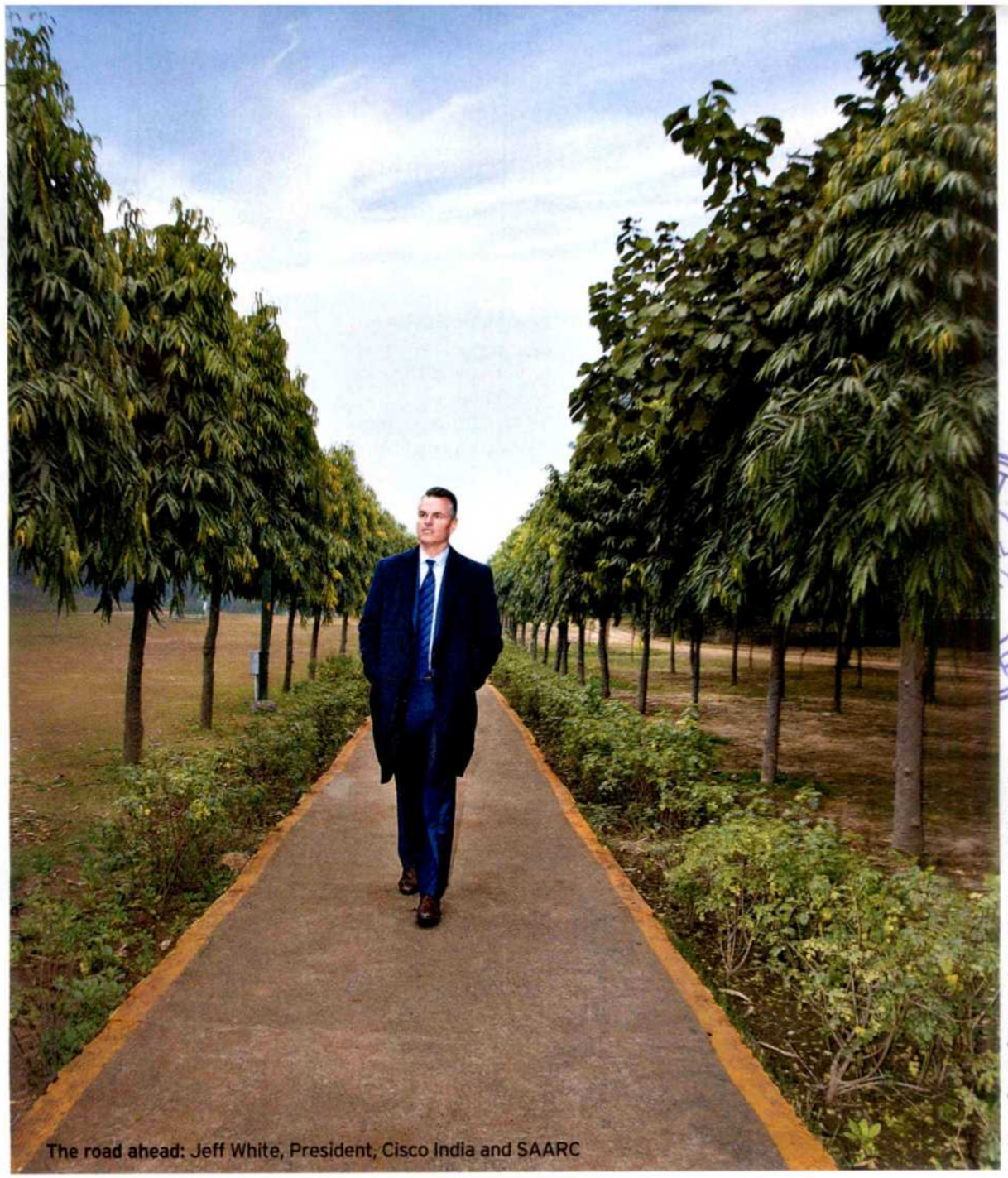
According to the Registrar of Companies, Cisco Systems India's revenue dropped 18 per cent to ₹2,651 crore in 2011/12 while Cisco Video Technologies, part of Cisco India, grew 24 per cent to ₹438 crore. Cisco did not comment if these numbers included all of its revenues from India.

The writing was on the wall for Cisco: it had to think beyond its traditional business if it wanted to grow in an increasingly crowded industry. Globally, John T. Chambers, CEO of Cisco since 1995, has been trying to change the company into an IT services and solutions firm – and India also had to change. Chambers asked Jeff White, once in charge of Cisco's largest client American telecom operator AT&T, to take charge of the transformation of India in 2012. It was a time when consumption and technology were changing. White had one mandate when he came to India: growth. "John (Chambers) wanted the person who came into this role to have a very strong connect to drive those changes and do that quickly," says White. "We are here to generate growth."

White is banking on Cisco's brand pull in the country. Sixty per cent of the mobile Internet runs on Cisco networks; stock exchanges, including the National Stock Exchange, and 24 of the top 25 banks use Cisco products. And 30 million households use Cisco to view cable and DTH television. But White knows new customers will not provide business only because of its legacy: "We have to go and demonstrate that we can make the transition."

White is trying to change Cisco from an equipment maker to a services and solutions company. So far, the numbers have been impressive. White says Cisco's Indian units grew 37 per cent in 2012/13, making India the highest growth market for the company globally. Cisco declined to give comparable numbers for 2011/12 or estimates for 2013/14.

New business from video, mobility, data centres, security, and wireless and WiFi contributed to this growth. Cisco is working with big telecom operators, including Reliance Jio, to build networks that will be able to deliver high-quality video and data services. It is also engaging with the central and state governments on



The road ahead: Jeff White, President, Cisco India and SAARC

VIVAN MEHRA/www.indiatodayimages.com

health-care projects. It has set up 11 health-care centres with basic diagnostics equipment monitored remotely by doctors. "We are doing a pilot with the Madhya Pradesh government to provide remote healthcare through video communication," says Dinesh Malkani, who heads sales for Cisco in India and South Asia.

It has partnered with various firms for its biggest bet – the Internet of Everything, a catch-all phrase that describes adding connectivity and intelligence to just about every device. One landmark project is Cisco's deployment of a single network platform across 150 Asia factories, including those of vendors, of US automaker General Motors. The engineering and manufacturing network has helped General Motors spend 30 per cent less time managing the plants' operations.

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"Engineers understand the customer's business, mindset and challenges"

AMIT PHADNIS, Vice President, Enterprise Networking Group, Cisco Systems

San Jose-based Cisco's road to success hasn't always been a smooth ride. It tried to enter the consumer business by acquiring a small home WiFi/modem company called Linksys and showcasing its Cius tablet PC. But the moves did not work: Linksys was sold and the tablet project discontinued. In 2011, Cisco announced it would close its Flip camera business following the advent of smartphones. "Now they are branching out in areas which make sense," says Naresh Singh, Principal Research Analyst with technology research firm Gartner.

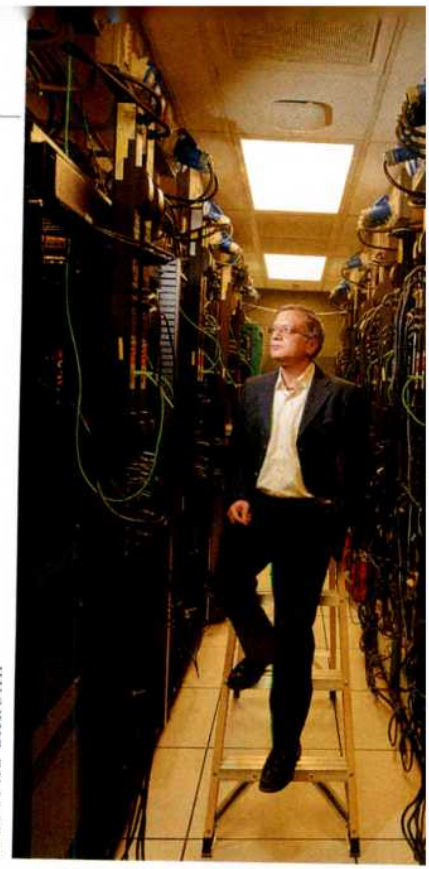
White says the transformation, at least in India, is a three-year project. Cisco has invested more than $1 billion in the country, of which $200 million is in its clients. "We are very rigorously looking at the investments, the timing of those investments and the outcome of those investments," says White.

Cisco's plans in India also involve massive investment in research and development. It has an R&D centre with 8,000 engineers in Bangalore who develop products such as video solutions, switches and routers, and security solutions. Cisco India owns two product lines – the Nexus 7000 and the MDS 9000 – which are high-end data centre switches that help connect the world to data applications on servers. "Companies like Reliance are using the Nexus 7000 to build their data centre," says Joy Chatterjee, Senior Director, Switch Fabric Product Group at Cisco.

About 50 engineers look after Cisco's top eight clients. "Engineers understand the customer's business, mindset and challenges," says Amit Phadnis, Vice President, Enterprise Networking Group at Cisco Systems.

White is happy for now with the work of the research and development centre. But he wants to grow it further. Even though India is the main delivery centre for Cisco's clients globally, Indian clients account for just about two per cent of services delivery. "I would like to double that figure very soon," he says. This is possible only if White manages to increase Cisco's India footprint. One way is to get Cisco solutions in mobile phones. Its acquisition of Jabber, the instant messaging and video tools for enterprises, will play an important role.

Cisco has already signed a contract with India's largest bank, State Bank of India, to offer video and collaboration over mobile phones to its employees. "We can hold a video-conference directly from the desktop and executives don't have to move anywhere, improving our time efficiency," says Dinesh Kumar Khare, CEO of SBI Mutual Funds. ◆



NILOTPAL BARUAH

PICTURE PERFECT

Cisco revenues are growing in new businesses such as video

Cisco Development India	2010/11	2011/12	2012/13
TURNOVER	92.3	61.5	88.4
PROFIT AFTER TAX	7	8.7	5
Cisco Video Technologies India			
TOTAL INCOME	354.28	438.24	542.22
PROFIT AFTER TAX	50.99	39.45	41.96
Cisco Systems Capital (India)			
TOTAL INCOME	72	73	84
PROFIT AFTER TAX	11	56	-0.63
Cisco Systems (India)*	2009/10	2010/11	2011/12
TOTAL INCOME	2,088	3,218	2,651
PROFIT AFTER TAX	74	170	278

Figures in ₹ crore
Source: Registrar of Companies

*2012/13 figures not available

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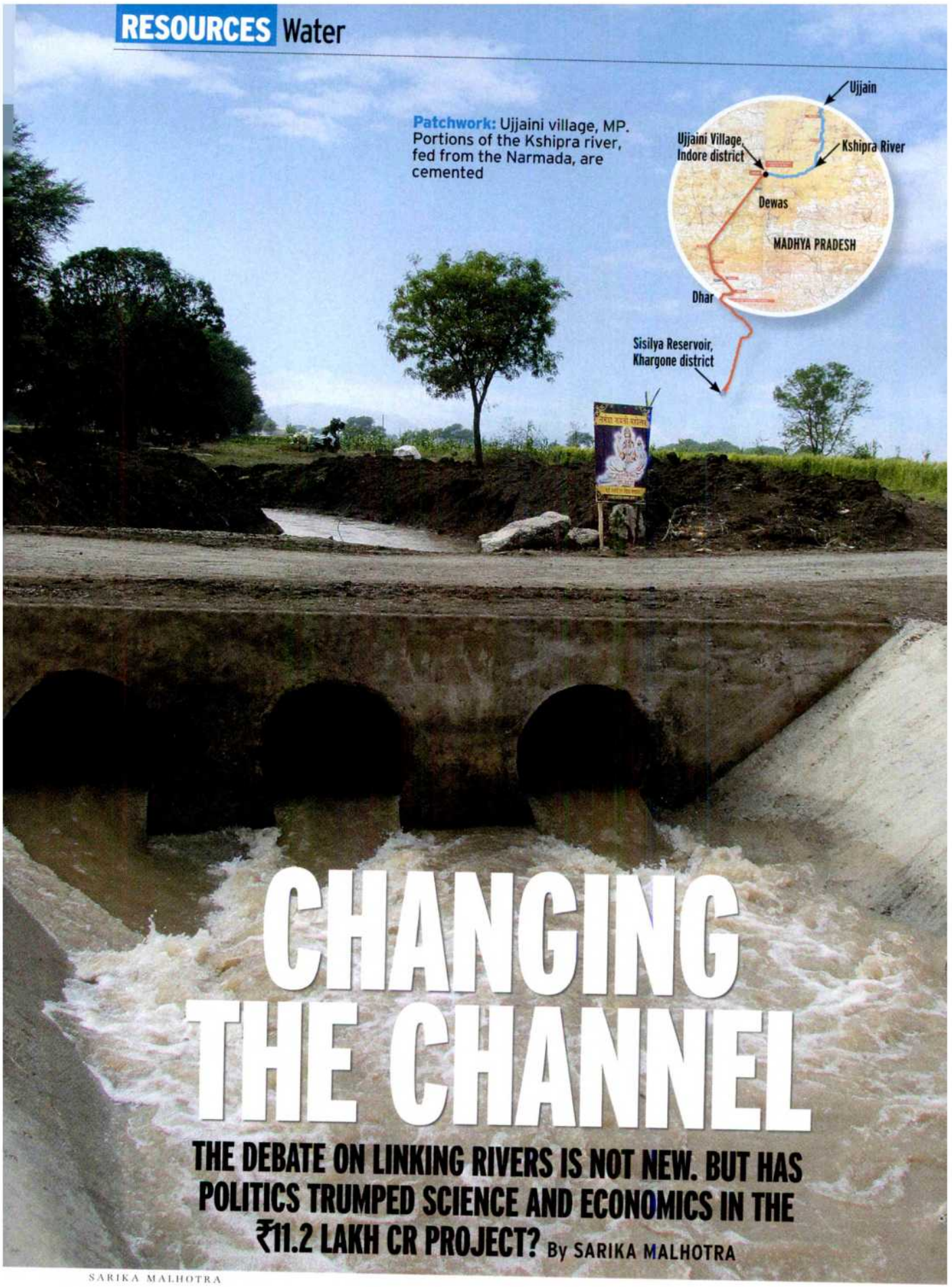


Patchwork: Ujjaini village, MP. Portions of the Kshipra river, fed from the Narmada, are cemented

CHANGING THE CHANNEL

THE DEBATE ON LINKING RIVERS IS NOT NEW. BUT HAS POLITICS TRUMPED SCIENCE AND ECONOMICS IN THE ₹11.2 LAKH CR PROJECT?

By SARIKA MALHOTRA

SARIKA MALHOTRA

Roop Singh Bodana, resident of Songuradiya village in Madhya Pradesh's Indore district, is teary-eyed. "*Kshipra aur Narmada maiya ka milaap... chamatkaar hai,*" he says (the meeting of the Kshipra and Narmada rivers is a miracle). The 50-year-old believes that it was foretold in scripture, and therefore inevitable, and that taking a dip in this water will lead to salvation.

Bodana is not alone. Villagers from all over the district are flocking to Sonway village, to take a holy dip where water from the Narmada emerges from a 47-kilometre pipeline. A local entrepreneur has set up shop in an unused pipe segment, and is doing brisk business selling coconuts, incense, matches, and other paraphernalia for worship.

The MP government claims that this is India's first river-linking project, and its inauguration at Ujjaini village on February 25 was attended by a galaxy of BJP leaders and yoga guru Baba Ramdev, amid fanfare and *prasaad* distribution. Chief Minister Shivraj Singh Chouhan says his government is committed to river inter-linking projects. "From the government's side, there is no dearth of money for such projects," he said at the inauguration. "We will soon link the Kali Sindh, Gambhir and Parbati rivers in phases, which will be a boon for farmers." The day's event was not a political platform, but the fulfilment of the dream of former prime minister Atal Bihari Vajpayee, Chouhan told the crowd of nearly 10,000 at the event.

Four pumping stations draw 5,000 litres of water every second from the Narmada-fed Sisliya reservoir in southern MP, and pipe it to Ujjaini village, Indore district, the origin of the Kshipra. The site of the confluence has been designed for pilgrims to bathe.

The ₹432-crore project aims to provide drinking water to more than 250 villages in Ujjain and Dewas districts, as well as to industries there and in Pithampur town. Chouhan says there will be enough water for the Simhastha Kumbh Mela in Ujjain in 2016. He adds that the project will also address fears about the desertification of the Malwa region.

Linked up: The 47-km pipeline that brings water from the Narmada to Sonway village in MP

SARIKA MALHOTRA

The immediate impact of the project is, however, quite different. An estimated 4,000 people visit Ujjaini daily, and it has quickly become a pilgrimage site. On Mahashivratri (February 27) alone, between 20,000 and 30,000 people took a holy dip. The price of land in and around Ujjaini has quadrupled.

Even so, critics of river-linking argue that it is an intervention in the grand design of nature, and that its touted benefits are an illusion created in the mind of the public. Indore-based Dinesh Kothari, who works in the area of sustainable development, argues that water is in fact plentiful. He quotes a local saying: "*Malav bhoomi gahan gambhir, pag-pag roti, dag-dag nir*" (Malwa is so rich that you can find food and water at every step). He says: "Malwa's topography is undulating, and it is famous for its grasslands. That's why it is known for its wheat and pulses. Undulations and grass help store water naturally, which is further taken care of by the region's numerous rivers and nullahs." He says the Narmada-Kshipra project will be a white elephant.

Vinod Parashar, Professor at Shri Govindram Seksaria Institute of Technology and Science, Indore, agrees. He estimates that at today's rates, the annual running cost of the

Narmada-Kshipra project would be ₹70 crore. "What will its economic feasibility be, and who will pay for the electricity for pumping the water? And this is just for phase one. The government plans to extend it to other rivers and provide water for irrigation." He says that with such costs, irrigation will not be able to marginally recover even the running cost, let alone the project establishment cost.

Questions about the Narmada-Kshipra link

Besides economic costs, many are also questioning environmental costs. Activists say that the impact on the Narmada and the region's ecology is being ignored. They say that with numerous dams and large amounts of water being channelled out of the Narmada, its survival is threatened.

The MP government, however, thinks differently. Rajneesh Vaish, Vice-Chairman of the Narmada Valley Development Authority (NVDA) says Ujjain has suffered severe drinking water shortages. A few reservoirs have eased the problem somewhat, but all is still dependent on the scanty rainfall in the region. He says: "A dam costing ₹400 crore was proposed at Sevarkhedi on the Kshipra river. Protests by farmers whose land would be submerged, and the rising cost of land, made it impossible." He says if this dam were to be built today, the cost of land alone would be higher by ₹200 crore, and the dam could ultimately cost about ₹700 crore with no guaranteed time frame, given the history of anti-dam agitations in MP.

"So the Narmada-Kshipra link I replaces this project well," he says. "We have to take into account that with the increasing population and the Delhi-Mumbai industrial corridor being set up in Ujjain, existing resources are getting further stressed."

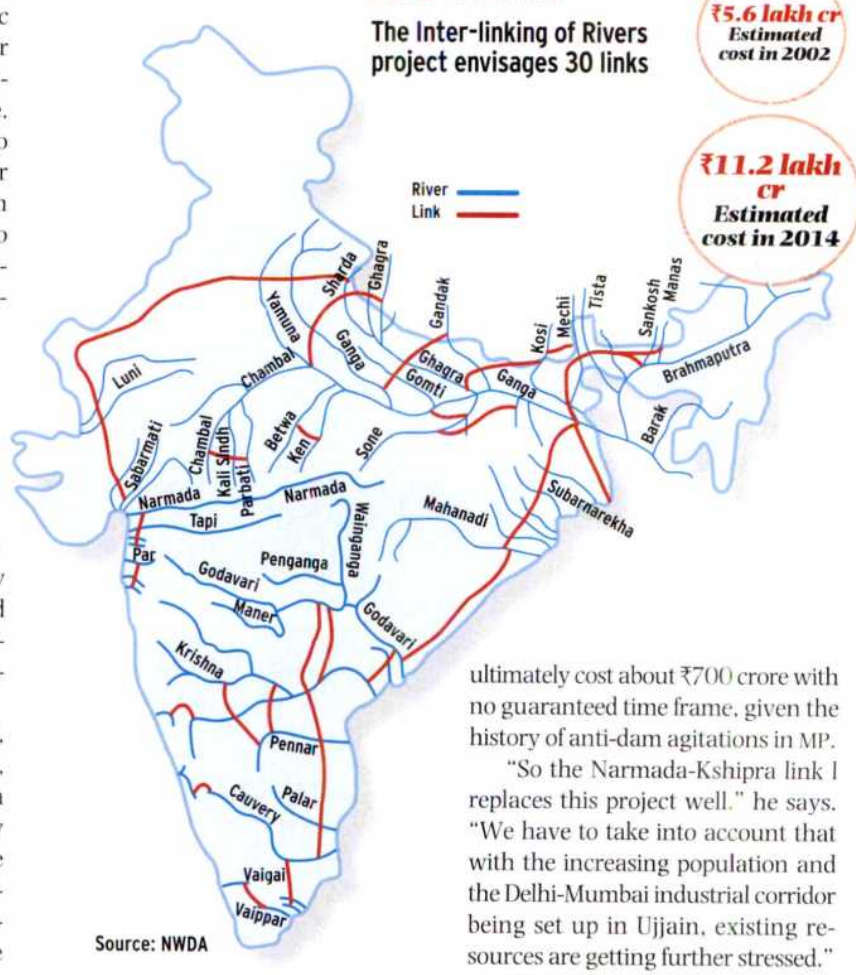
Most villagers in the region are oblivious to all these calculations. Shyam Choudhary, a resident of Piwday village in Indore district and a member of the Kshipra Punah

PIPE DREAMS

The Inter-linking of Rivers project envisages 30 links

₹5.6 lakh cr *Estimated cost in 2002*

₹11.2 lakh cr *Estimated cost in 2014*



Source: NWDA

EVOLUTION OF AN IDEA

Late 19th century: Arthur Cotton, Madras Presidency engineer, draws up plan to improve inland navigation in peninsular India

1982: National Water Development Agency set up during **Indira Gandhi's** tenure under water resources ministry, to study feasibility of linking rivers

1972: National Water Grid by K.L. Rao, Union minister for water resources, proposes Ganga-Cauvery Link to transfer 20 mn acre ft by pumping water from Ganga to irrigate 4 million ha. This would require **5-7 million KW of power**

1977: Garland Canal proposal by airline pilot Dinshaw Dastur envisages Himalayan Canal at 1,100-1,500 ft, and the Garland Canal at 800-1,000 ft. Estimated cost is **₹120 lakh cr**

1980: National Perspective Plan by Ministry of Irrigation (now Ministry of Water Resources) for development of Himalayan and peninsular rivers

Prawah Abhiyan (project to revive the Kshipra) is elated. He says Narmada *maiya* (mother) can never run out of water, even if it feeds other rivers. "Kshipra *maiya* will flow through the year now," he says. "Fed by monsoons, it used to run dry after January or February."

He does have a grouse, though: that the NVDA, which implemented the linking project, did so in an arbitrary manner, without participatory decision-making. "The river path that has been dug passes through farmland, and is causing water logging due to seepage," he says. "If it rains even a little, the water overflows and there is massive seepage, which destroys crops. We are requesting the government to cement the river path as soon as possible, to reduce seepage and save the crops."

This situation would not have arisen if the residents of the Kshipra valley had been consulted in an social and environmental impact assessment, he says. NVDA's Vaish says that digging is restricted to approximately the last seven km of the linkage. This used to be a small rivulet, and now it is wider. "Farmers had encroached on it and we have revived it. We plan to line it with cement to prevent seepage into fields."

Some, such as farmer Anil Choudhary of Piwday, think that is a bad idea. He says: "When have river paths been cemented? Rivers are meant to flow naturally, and seepage is good to increase moisture in the soil." Others argue that the river's path has been dug, and is not natural. So debate and protests are brewing in the area, and the channel is cemented only in parts. Villagers say the confusion has resulted in labourers sitting idle.

The idea of inter-linking rivers has got a renewed thrust with the BJP's prime ministerial candidate, Narendra Modi, underlining its role in development at various forums and as part of his economic vision. However, he has not clarified how the actual transfer of water would take place.

THE NARMADA-KSHIPRA PROJECT'S ANNUAL RUNNING COST WOULD BE ₹70 CR. AND WHO WILL PAY FOR PUMPING THE WATER?

Water Politics

Many point out that Modi is merely following a legacy, and is not the only one to do so. At the inauguration of the Narmada-Kshipra project, senior BJP leader L.K. Advani too spoke about the vision of Vajpayee, who was moved by the plight of drought-stricken farmers. He said: "Vajpayeeji used to say that India has so many rivers, and if we can inter-link them and transfer water... to water-deficit rivers, drain flood waters and provide irrigation in the dry season, it would be miraculous." He highlighted the efforts of the task force led by former power minister Suresh Prabhu to work out modalities under the former BJP-led government, and added that the present government has taken no initiative on it.

Since 2004, the UPA government has indicated a lack of interest in the project. Ramaswamy R. Iyer, former secretary for water resources in the central government, says the UPA's Common Minimum Programme promised the project would be comprehensively addressed in a consultative manner. "Both UPA-I and -II have refrained from formally aban-

Signing of MOU for Ken-Betwa link

2002
- National Water Policy emphasises need for inter-basin water transfer
- President Abdul Kalam mentions it in address to nation on August 14
- Lawyer Ranjit Kumar files public interest litigation in Supreme Court
- Bench headed by Chief Justice B.N. Kirpal rules that rivers should be interlinked, 10-year deadline to implement the project
- High-level task force set up under Union minister **Suresh Prabhu** to work out modalities
- Estimated cost is **₹5.6 lakh cr**

2004: UPA government says river linking project will be comprehensively reassessed in a consultative manner

2010
- NWDA draws up detailed report on first phase of Ken-Betwa project, submits it to Madhya Pradesh and Uttar Pradesh governments. Estimated cost is **₹ 9,393 cr**
- Chief ministers of Gujarat and Maharashtra and Union water resources minister sign MoUs to prepare detailed project reports

2012: Supreme Court directs Union of India and water resources ministry to constitute a special committee for interlinking of rivers

2013: NWDA completes detailed project report on Bihar intra-state linking of Burhi Gandak, Noon, Baya and Ganga. Estimated cost is **₹4,213 cr**

2014 NWDA completes detailed project report on Ken-Betwa Phase II. Estimated cost is **₹2,282 cr**

doning the project, doubtless for political reasons, but have deliberately chosen to let it languish," he says.

Narendra Modi, too, highlights UPA inertia. For instance, at a rally in Guwahati on February 8, he said: "Atalji's river linking project was a dream to solve the flood and drought crisis from the country. After the PIL filed in Supreme Court, the court rebuked the Manmohan Singh government to file a status report... but... the government took 15 months to form a committee.... At this pace the government is working."

The current avatar of the 150-year-old idea of linking rivers envisages 37 rivers being connected by 30 links – 14 in the Himalayas and 16 in peninsular India. The links, consisting of dams and canals, would seek to permanently resolve the paradox of floods and drought. But what some tout as visionary nation-building has not taken off, because the project depends heavily on the interstate linking of rivers, and the ground reality of politics is that no state can afford to give water to another. Water is a state subject.

Himanshu Thakkar, coordinator of the South Asia Network on Dams, Rivers and People, says: "States are getting powerful, and water is becoming scarcer and an emotive subject. Elections are going to be fought and lost on water issues in the future."

He says the subject is so sensitive that even states where the same party is in power do not agree. He gives the example of BJP governments working at cross purposes in MP and Rajasthan. For the Parbati-Kalisindh-Chambal link, even as consensus-building is under way between MP and Rajasthan, the MP government has started work on Mohanpura and Kundaliya as standalone projects. They were originally part of the Parbati-Kali Sindh-Chambal interstate project.

"When we highlighted it, the MP government clarified that it has not accepted the NWDA [National Water Development Agency] scheme, and is not likely to be implemented in the near future. And the MP government wants immediate implementation of the Mohanpura project."

A.C. Kamaraj, expert member on Inter-Linking of Rivers (ILR), Government of India, says that for the ILR, all states must not only agree to the proposal but also accept the quantity of water that they can spare as surplus. However, he says, these possibilities are remote. "This is the reason for the abnormal delay in going to the next step of the Detailed Project Report, or DPR, for many links whose feasibility reports are completed."

Refrain: Narendra Modi spoke of river linking at BJP's national executive meet in Delhi in January

No wonder, then, that out of 30 interstate links, only one DPR has been prepared – for the Ken-Betwa link (MP and Uttar Pradesh) is ready. Only two MOUs have been signed for other DPRs (Par-Tapi-Narmada and Damanganga-Pinjal projects, both involving Gujarat and Maharashtra). For the Netravati-Hemavati link, Karnataka has not even given permission for a feasibility report. For the Godavari-Krishna link, the Andhra Pradesh government is implementing its own plan.

Thakkar says the Centre has been trying to make water a concurrent or central subject, but this is unlikely to happen. Many experts say state governments will focus on intra-state linkages, such as Narmada-Kshipra. For Bihar, the NWDA has prepared the DPR for the intra-state link for Burhi Gandak-Noon-Baya-Ganga, and the Kosi-Mechi DPR is in progress.

Flawed Science?

The NWDA, set up in 1982 under the Ministry of Water Resources to study the feasibility of inter-linking, says the programme will increase irrigation potential from 140 million hectares to 175 million hectares, and generate 34 million KW of power, in addition to benefits such as flood control, navigation, water supply, and salinity and pollution control.

NWDA Director General S. Masood Hussain says India needs water for food security. "The linkages are designed based on techno-economic criteria," he says. "For irrigation alone, the benefits are 1.5 times the cost. Most of our rain water flows into the sea, and is not utilised. We witness yearly floods in eastern UP, Bihar, West Bengal and Assam, with no storage infrastructure, and all that water is wasted."

The logic seems impeccable, but Planning Commission member Mihir Shah points out that damming rivers cuts down the sediment supply and destroys fragile coastal ecosystems. "It can affect the monsoon system," he says. "Rainfall over much of the subcontinent is controlled by a layer of low saline water. A disruption could have serious long-term consequences for climate and rainfall." He says the 12th five-year plan has taken the official position that a programme of this scale will be a huge disaster.

India's dependence on the monsoon is immense. Experts point out that rivers generally overflow during

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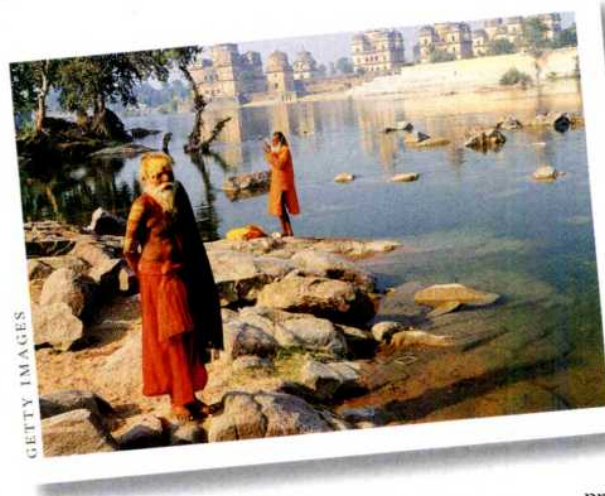
roughly the same time across the subcontinent, so it's questionable why a flooded basin would accept more water from another basin at such a time. Environmentalist Vandana Shiva points out that the Uttarakhand disaster was aggravated by hydroelectric projects. She says the ILR project lacks hydrological and ecological soundness, and seeks to commodify India's water.

"I have done detailed studies of the Ken-Betwa link and the Sharda-Yamuna link," she says. "The false argument that water will be taken from regions with floods to regions with drought does not hold. When there is a drought in Bunde-lkhand, both Ken and Betwa have reduced flow.... When the Sharda is in flood, the Yamuna is in flood."

Many experts also question whether a project of this magnitude is executable. M. Inamul Haque, Chairman of the Institute of Water & Environment (IWE), Dhaka, says that it is impossible to complete a project of this magnitude. "The inter-linking project has 30 canal systems," he says. "Hydraulic mass has a natural tendency to flow downwards. River basins are created out of that tendency." He adds that the sustainability of diverting it for unnatural demands is doubtful, and ruins of abandoned big or small dams are found all over the world, including India. "So, this high-sounding inter-linking project can start somewhere, but will be stuck with its own problems. Diversion projects will have high evaporation loss on exposure, and high conveyance loss by seepage.... structures will fail to deliver lateral flow against gravity, leading to clogging and high maintenance costs."

NWDA affirms that all environmental impacts are assessed and remedies suggested in the DPRs, but observers point out that impact on people and ecology, upstream and downstream, has not been factored in. Activists say the project involves 200 large reservoirs, a network of 60 to 80 dams, and canals, which will lead to massive displacement and devour cultivable land. It will aggravate floods and drought by destabilising water flows, and block natural drainage, further hampering agriculture. Environmentalist Shiva says of the Ken-Betwa link: "The project begins in the Panna tiger sanctuary, in the heart of the tiger habitat. The assessment casually states, 'wildlife has legs and will walk away and find another habitat'. The only habitat outside the wildlife sanctuary is villages."



GETTY IMAGES

Next step: The Betwa at Orchha, MP. Ken-Betwa is the only project (out of 30) for which the detailed report is complete

Economic Questions

The initial cost of the inter-linking project was ₹5.6 lakh crore at 2002 prices, raising questions about the cost-benefit dynamics of the project. Haque of the IWE estimates that the cost has doubled now.

Tushaar Shah, Senior Fellow at the International Water Management Institute (IWMI), says the ₹5.6 lakh-crore estimate was derived 15 years ago, and that today it would be over ₹10 lakh crore. "That's close to a full year's GDP," he adds. "Given its magnitude, it would take over 30 years to complete, hence the cost will multiply many times over."

Many argue that the costs outweigh the benefits, especially given that there will also be running costs for things such as pumping. Kamaraj, the Expert Committee Member on ILR, says: "A rough estimate shows that these expenditures will be of the order of nearly ₹10,000 crore a year. Who will bear the cost – the Centre or the states concerned? Besides, will the state that gives water to its neighbour spare the power required for pumping?"

And what about the benefits? IWMI's Shah estimates that much of the 35 million hectares that the project promises to irrigate is already under private tubewell irrigation, which has proved far more profitable than canal irrigation. "Moreover, lifting... Himalayan water across the central Indian highlands will use up much of the 35 GW of hydropower the project would generate."

The net socio-economic benefits seem illusory even with rosy assumptions. Many experts say such programmes result when schemes are formulated on drawing boards, without factoring in ground realities. Thakkar says that despite the fact that rivers are revered in India, as a nation we have not valued our rivers. "Look at the state of Ganga... considered the most sacred.... In 1985, the prime minister set up the Ganga Action Plan. It failed. It was converted into the National River Conservation Plan in1995. It failed. In 2009, we were given the National Ganga River Basin Authority under the prime minister of India. The Authority has held just three meetings in the last five-and-a-half years. Maybe that explains everything." ◆

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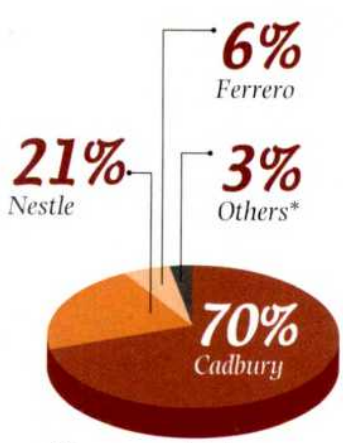
Unwrapped

How Italian confectionery giant Ferrero created a market for premium chocolate in India. By AJITA SHASHIDHAR

THE MAIN PLAYERS IN INDIA'S CHOCOLATE MARKET



*(Figures are market share; *includes companies such as Hershey, Mars and Lindt) Source: Industry*

Almost two-and-a-half years ago, a handful of journalists visited a chocolate factory at Alba in Italy. The factory is owned by confectionery giant Ferrero Group, that clocked revenues of €7.8 billion – or $10.7 billion at current exchange rates – in the year ended August 2012. What was so special about the visit? It was the first media interaction in the history of the company founded in 1946. And even then its reclusive billionaire owner, Michele Ferrero, declined to be interviewed.

No wonder, then, that Luigi Oddone, the India head of Ferrero, refused to be photographed when *Business Today* finally met with him after nearly two years of numerous requests for an interaction. "How can I project myself as the face of the company when my owners in Italy have always shied away from publicity," he says.

The maker of Ferrero Rocher and Kinder Joy chocolates, Tic Tac mouth freshner and Nutella hazelnut spread was founded by Michele's parents, who first set up a pastry shop and then expanded it into a factory. But it was Michele who took the family-owned group global. Today, Michele is Italy's richest man and ranks 22nd in the Forbes list of global billionaires with a net worth of $26.5 billion. The company is now led by his son and CEO Giovanni.

Ferrero entered India in 2004, when it set up a branch office in Chennai. At the time, India hardly had a market for premium chocolates that cost more than ₹25. Since India is a price-sensitive country, most brands offer products at low prices in small packs. Market leader Cadbury has been selling its flagship brand, Dairy Milk, at an entry price of ₹5 for over a decade now. That has changed today. Premium chocolates now make up about 27 per cent of the ₹3,000-crore chocolate market in India, according to consultancy Technopak. Besides Ferrero, several companies including Cadbury, Nestle, Mars, Hershey and Lindt compete in this segment. Cadbury – with its

The Italian Mogul: Ferrero owner Michele Ferrero (centre) with his wife, Maria Franca, and son Giovanni Ferrero

Celebrations, Bournville, Silk and Toblerone brands – is the market leader with more than 60 per cent share in the premium segment and 70 per cent overall, according to data provider Nielsen.

Ferrero has garnered a six per cent share of the Indian chocolate market in just a decade. More importantly, it is credited with developing the premium segment. "Ferrero created a market for premium chocolates in India from scratch," says Devendra Chawla, CEO, Food Business, Future Group. Food Bazaar, Future Group's retail chain, is the largest customer of Ferrero India. Chawla says when Ferrero launched its Rocher chocolates, the only competing brand was Cadbury Celebrations, which was priced between ₹100 and ₹175 per box. "One has to give credit to them for launching their product at ₹300 [per box of 12 chocolates] and making it work even at such a steep price point," he adds.

So, how did Ferrero make it work? The company rolled out Rocher chocolates nationwide in 2007 and followed this up with Kinder Joy, an egg-shaped chocolate which comes with a toy for children, and Tic Tac in 2009. In October 2011, it started a factory at Baramati in Maharashtra. It invested ₹230 crore to set up the factory and later pumped in an additional ₹500 crore for expansion. The factory makes one million Kinder Joy eggs and 20 million pallets of Tic Tac daily. Though the company still imports Rocher, it has made India its hub for Asia and exports half its local production. Ferrero India aims to close 2013/14 with revenues of about ₹1,000 crore.

Oddone says the company set up its branch office in Chennai because the southern region offered contrasting cultures. "People in Kerala are known to be open to experimenting while Tamil Nadu is more conservative. So, within a short distance we could see both the Indias, one which runs faster and the other which is traditional."

Oddone says Ferrero sensed as early

A SNAPSHOT OF THE INDIAN CHOCOLATE INDUSTRY

₹3,000 crore
Size of the overall chocolate market

₹8,000 crore
Likely size of the chocolate market by 2021

27%
Share of premium chocolates in the overall market

20-25%
Expected growth rate of the overall chocolate market

30-35%
Expected growth rate of the premium-chocolate market

Source: Technopak

Luigi Oddone, Operational Managing Director, Ferrero India

"There is a space for premium products even in a country dominated by price-conscious consumers"

as 2004 that there was a set of consumers in India willing to pay ₹300 for a box of chocolates. "We learnt that there is a space for premium products even in a country dominated by price-conscious consumers," he says. Ferrero did not hire any market research firm when it was test-marketing Rocher. Instead, it decided to go to the market on its own to understand the Indian consumer. "This helped us in two ways. Not only did we realise that Indians were open to buying an expensive box of chocolates, even if it was sold in a *kirana* store, we also realised early enough that consumers would buy expensive chocolates mostly during festivals when they generally gift sweets."

Ferrero supplies Rocher to modern retail stores such as Food Bazaar round the year, but *kirana* stores get these chocolates mostly during festivals from October to March. During the summer months, Ferrero distributors don't usually allow *kirana* stores to stock more than three to four boxes because of a lack of refrigeration facilities. "We don't want to compromise on quality. It is better not to be there than give the consumer a stale product," says Oddone.

Despite being available mostly during festivals, Rocher has captured 14 per cent share in the box chocolate category, according to Nielsen. Cadbury Celebrations is the category leader with over 50 per cent share. Chawla of Food Bazaar says Rocher's round shape and golden wrapping that give it the look of a *laddoo* have struck a chord with consumers not just in metros but also in smaller cities.

Mohit Khattar, CEO of Godrej Nature's Basket, the food retail venture of the diversified Godrej Group, says Ferrero has made a premium offering like Rocher a mass-market product by selling it through *kirana* stores. "Not only has it opened up the market, it has also encouraged super-premium chocolate brands to look at India," he adds. Its growth comes despite a 30 per cent import duty on chocolate. Cadbury, for instance, launched its Silk brand in 2010 and Toblerone from its parent Mondelez's global portfolio in 2012. Nestle recently launched its premium brand Alpino at ₹30 a piece for round chocolates that look like Ferrero Rocher.

Although both Cadbury and Nestle sell premium brands, they derive a large share of their revenue from mass-market products. But Ferrero has no such plans. It does not even plan to make cheaper variants of Tic Tac and Kinder Joy. Tic Tac is priced at ₹10 while most mouth-freshener candies cost 50 paise. Kinder Joy, priced at ₹30, is pitched as a healthy product that contains more milk than cocoa so that mothers prefer it for their children. "We can't offer a product like this at a low price," says Oddone. The plan, he says, is to sell Tic Tac and Kinder Joy at 1.1 million retail stores in the next two to three years, up from 38,000 now. Rocher, however, won't be sold in all the 1.1 million stores due to lack of storage facilities.

Ferrero also has no immediate plan to bring more products to India from its global portfolio that includes liqueur-filled chocolates and chocolate beverages. "Transporting several of our products such as liqueur-filled chocolates could be a logistical nightmare. Also, weather conditions here are not suitable to sell them in India," says Oddone.

Not everyone agrees with this plan. "Even if their strategy is to target discerning consumers, a wider portfolio could work to their advantage," says Khattar of Godrej Nature's Basket. Chawla of Future Group says Ferrero, especially with Rocher, focuses mostly on the gift segment. But Rocher is not the only gift option now. "Today, even premium pastas, cookies and olive oil are becoming sought-after gift options," he says. That's a point Ferrero must keep in mind. ◆

@AjitaShashidhar

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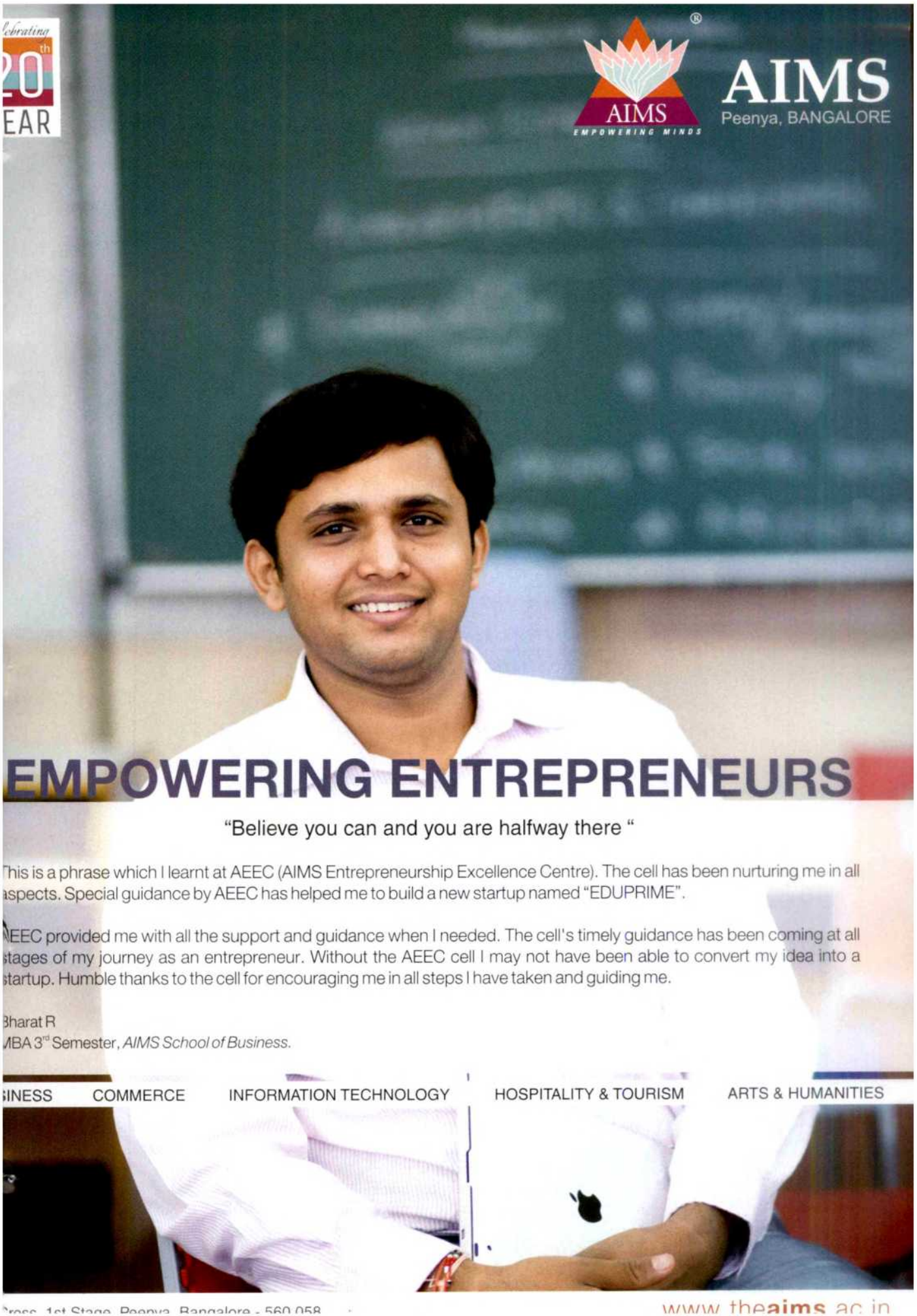
Factors driving chocolate consumption in India

- *Consumer preference shifting away from traditional sweets*
- *Growing middle class and rising income levels*
- *Projection of chocolate as a dessert option*
- *Tradition of giving sweets as a gift, exposure to global brands*

Source: Technopak

Full of Joy: Workers making Kinder Joy chocolates at Ferrero's Baramati factory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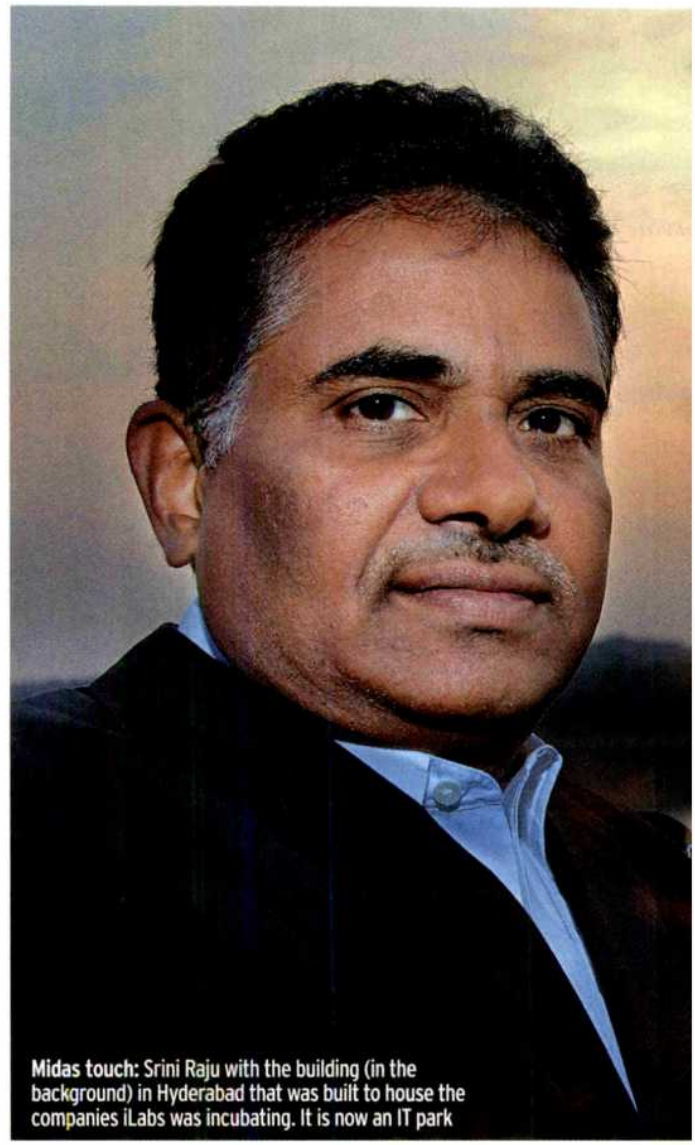
GUIDING LIGHT

Srini Raju, the founding CEO of Cognizant, has moved on to helping numerous professionals realise their entrepreneurial dreams

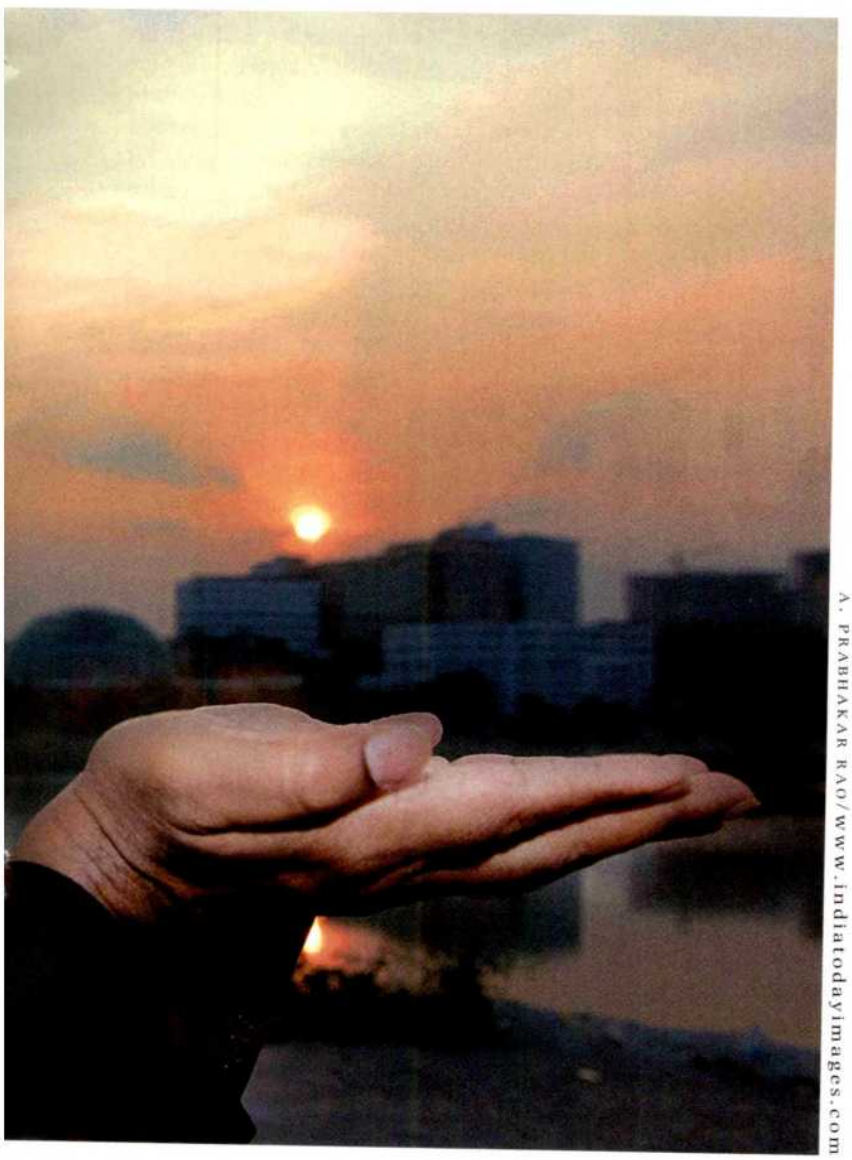
By E. KUMAR SHARMA



Midas touch: Srini Raju with the building (in the background) in Hyderabad that was built to house the companies iLabs was incubating. It is now an IT park

Around 100 companies from 25 countries have so far announced investments totalling ₹12,500 crore in Sri City, a 7,000-acre stretch close to the Andhra Pradesh-Tamil Nadu border. Even in the last 100 days, despite Andhra Pradesh being in turmoil over the carving out of a separate Telangana state, Cadbury, Pepsi and Japanese auto major Isuzu have declared their intention of investing ₹1,000 crore each in Sri City – and that's just the first phase. Land, water and power are all in plentiful supply here; Chennai is just 50 km away and Bangalore, 200 km.

The man behind the creation of Sri City, one who attends many of the inauguration ceremonies of investing companies but rarely steps into the limelight, is Chintalapati Srinivasa Raju or Srini Raju. "In late 2005, I attended a conference in Delhi on urbanisation," he says. "The Central government said it wanted to create new hubs of economic activity. I was inspired by what I heard. For six months, along with Ravindra Sannareddy, my friend and business associate, I scouted locations and finally settled on this one in Chittoor district." The state government agreed and Raju took the first step of investing ₹100 crore in the project. By 2009, Sri City was up and running.



A. PRABHAKAR RAO/WWW.INDIATODAYIMAGES.COM

Sri City, however, is only the last of a series of prescient investments made by this man with the Midas touch. With a Masters degree in civil and environmental engineering from Utah State University in the US, Srini Raju started off as an engineering consultant there, but subsequently, in the early 1990s, came back to India to join Satyam Computer Services, founded by his close relative, B. Ramalinga Raju. As chief operating officer and director of the company, he soon began to play a pivotal role there. In 1994, he also became CEO of a new company Satyam set up in a joint venture with information company and credit rating agency Dun & Bradstreet Corporation called Dun & Bradstreet Satyam Software Pvt Ltd, the former incarnation of Cognizant Technology Solutions. In 1997, he formed a sister company Satyam Enterprise Solutions, focused on telecom, enterprise resource planning and other Internet technologies. In October 1999, Satyam Enterprise Solutions merged with Satyam and Srini Raju moved out of Satyam altogether, eight years before the notorious Satyam scam broke.

Thus began his career as an investor. "Over a period of time, I sold all my shares in Satyam and that gave me the ₹150 crore kitty I started off with," he

SPURRING ENTREPRENEURSHIP

Some of the success stories Srini Raju's investments have spawned

DQ Entertainment, leading animation company with 3,000 animators

TV9, broadcaster with seven channels

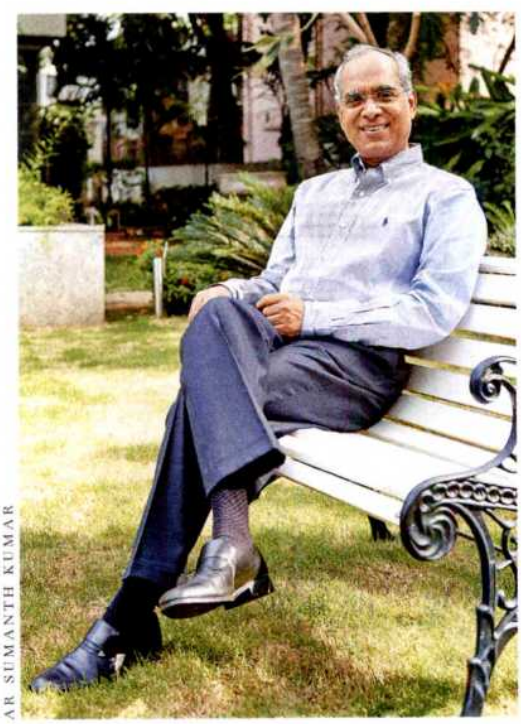
Cibernet, now called MACH, world's largest roaming data clearing house

MedPlus, pharmacy store chain, India's second-biggest after Apollo

Univercell, retail store chain for mobiles, country's second-biggest after The Mobile Store

says. It was the first wave of the Internet boom and Raju was keen to fund next generation technology companies. He set up iLabs Venture Capital Fund to incubate promising start-ups, which gradually transformed into an institutional fund, called Peepul Capital Advisors. "My goal was to turn motivated professionals into successful entrepreneurs," he says. In the last 14 years Raju has funded around 40 companies, a number of them emerging as leading players in their sectors. He currently manages around a billion dollars across three funds.

The first of Raju's unconventional investments that hit the mark was the animation company, DQ Entertainment, in 2000. It then had just a handful of employees; today it has 3,000 and is listed on the Alternative Investment Market (AIM) of the London Stock Exchange. "Srini Raju was our first PE investor," says Tapaas Chakravarti, Chairman and CEO, DQ Entertainment. "He followed it up with a second tranche in 2005." In 2007, Raju exited DQ with returns close to three times the investment.



AR SUMANTH KUMAR

A second big success has been Cibernet – since renamed MACH – which is now the world's largest roaming data clearing house for telecom companies. Investing around $1 million, again in 2000, Raju exited in 2006 with returns similar to that from DQ Entertainment. A third was Associated Broadcasting Company (branded TV9), a TV company Raju backed in 2003, which now has seven channels, four of them leaders in their respective states. Raju began with ₹15 crore, and kept raising his investment to reach ₹50 crore. In 2006, he invested in MedPlus, a chain of pharmacy stores. MedPlus then had 60 outlets, now it has 1,070 and is the biggest such chain after Apollo. Then there is the mobile stores chain Univercell, in which Raju invested in 2007. "Srini makes you think big," says Univercell founder Sathish Babu. "I had just 10 stores in the first 10 years of Univercell's existence, but added 100 more in five months after he came in. Today we have 450 stores and are the second largest such chain in the country after 'The Mobile Store'."

There have been occasional wrong calls too – such as the one Raju made in a bioinformatics company or another in a firm making dirt cleaning equipment. Neither of these took off. But overall, it is an astonishing record of picking winners. Raju's net worth is currently estimated between ₹2,500 crore to ₹3,000 crore. How does he go about deciding which companies to support? "My investment thesis is simple," he says. "The company should have professional managers and should be light on assets, typically from technology, health care, consumer products or services."

Those who have known him well wax eloquent about his abilities and temperament. "Srini Raju is a savvy businessman who has shifted his strategy from seed stage investing to investing in mature ventures and entry into real estate," says Sarath Naru, Managing Partner, Ventureast, a leading VC fund. Lakshmi Narayanan, Vice Chairman, Cognizant, who worked closely with Raju during the early years of the company, offers more insights. "He is very entrepreneurial," he says. "Once he gets something started, he loses interest in it, and wants to move on to the next thing."

Indeed, Sri City is his current obsession. "I want to see it emerge as the most liveable city in India, using sustainable energy, 100 per cent recycled water and with most residents travelling by public transport to work," he says. How does he respond to critics who claim the project succeeded primarily because of Raju's closeness to the former chief minister of the state, the late Y.S. Rajasekhara Reddy, and his son Jagan Reddy? "Several leading investigating agencies which have looked into the affairs of Jagan Reddy have found he has no connection with us," he says. ◆

LAKSHMI NARAYANAN, Vice Chairman, Cognizant Technology Solutions

"Raju is very entrepreneurial. Once he gets something started, he loses interest in it and wants to move on to the next thing"

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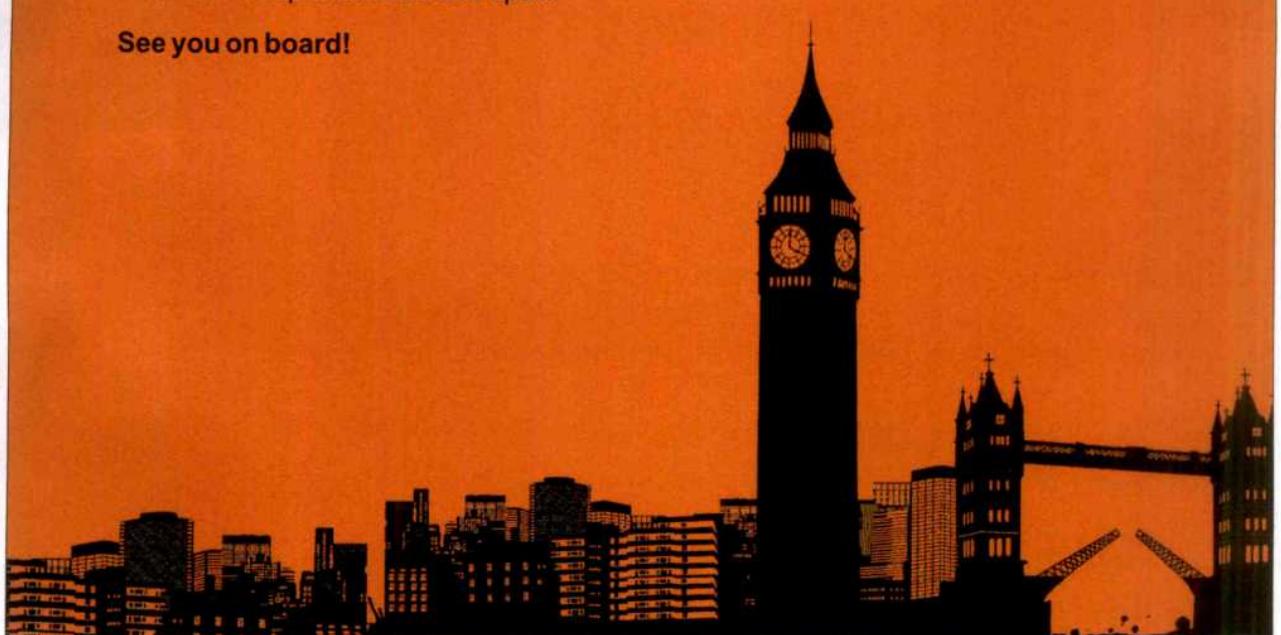

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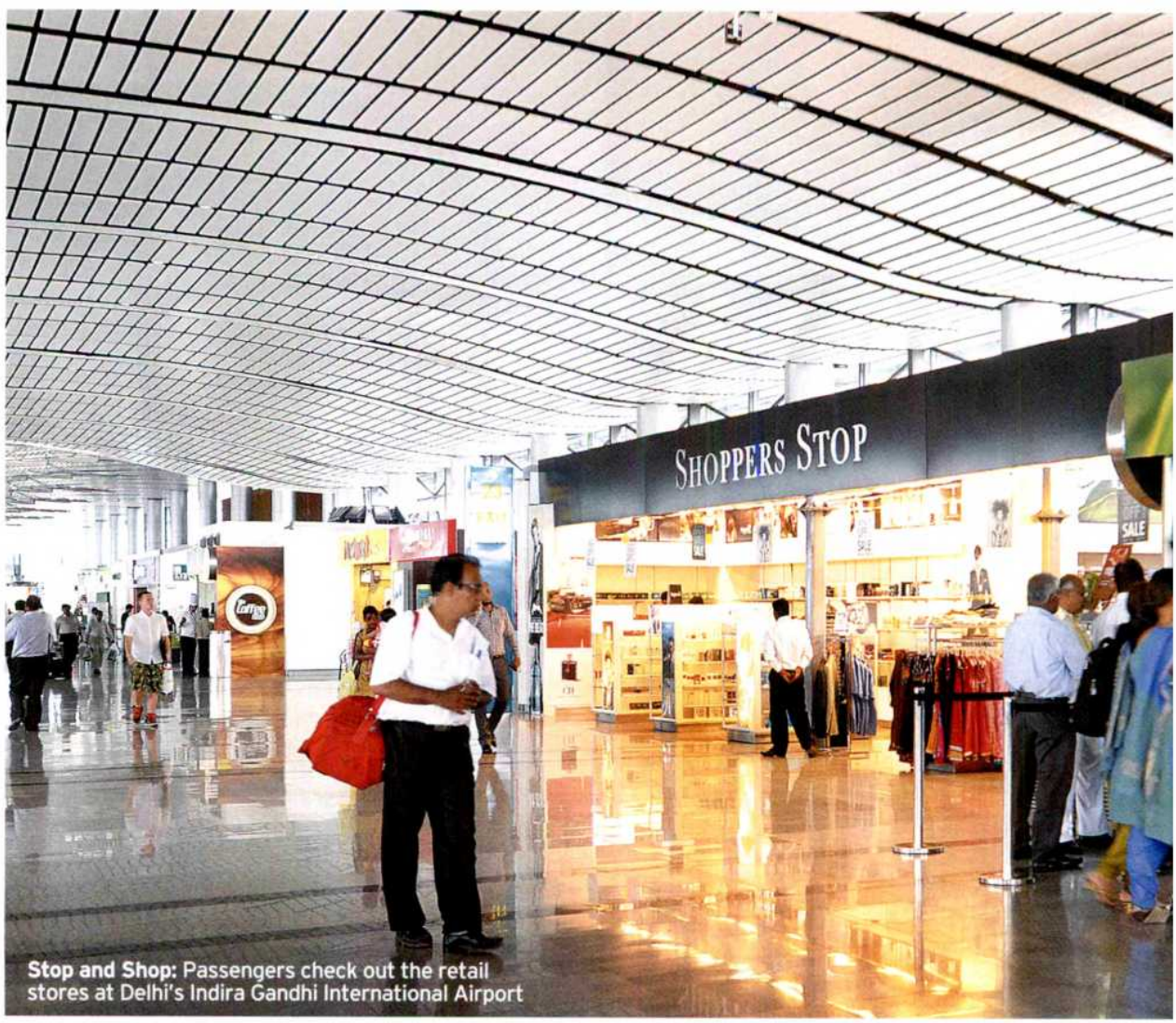
FLYING VISITS WELCOME

Why retailers love airport outlets. By ARPITA MUKHERJEE



VIVAN MEHRA/www.indiatodayimages.com

Stop and Shop: Passengers check out the retail stores at Delhi's Indira Gandhi International Airport

Last year, electronics retail store Croma Retail decided to sell JBL speakers at its store in Delhi's T3 domestic airport terminal. To begin with, it was an experiment. After all, why would anyone buy a set of speakers at an airport terminal of all places? But the strategy paid off. The entire stock of speakers, priced at ₹5,990 each, flew off Croma's shelves. "The price was not reduced nor was there a special deal. All we did was give the brand prominent shelf space, which makes a huge difference to sales," says Ajit Joshi, MD, Infinity Retail Ltd. Croma is part of Infiniti Retail, a 100 per cent subsidiary of Tata Sons.

Croma was among the first of the big retailers to foray into airport retail in India in October 2007. Today, airport retailing has become a business no chain can ignore. Croma already has seven airport stores across

Mumbai, Delhi, Hyderabad and Ahmedabad. It has plans to set up stores at Kolkata and Chennai airports soon. Sales at its airport stores are growing at about 17 per cent annually, says Joshi.

The products especially in demand at Croma's 850 to 2,000 sq ft airport stores are accessories such as scratch guards, covers, mouse, power banks and pen drives. These are typically in the price range of ₹600 to ₹4,000. The affluent Indian traveller today is also open to shopping for big ticket items at airports such as tablets and smartphones. Croma sold close to 15,000 smartphones at its airport stores in the past year.

Airport retailing is a popular concept globally but is still in its infancy in India. The non-aeronautical revenue (largely from retail) is more than double the aeronautical revenue at most airports abroad, but in India it is the opposite. Singapore's Changi International Airport's revenues from retail operations – with more than 350 stores – were over S$1.9 billion (US$1.5 billion at current exchange rates) in 2012/13.

However, airport retailing appears poised for an impressive take off in India. The renovation of most major airports is underway with large dedicated areas for retail stores. The recently opened T2 terminal at Mumbai's Chhatrapati Shivaji International Airport for instance, has about 700,000 sq ft area – the size of over 10 soccer fields – dedicated to retail, food and beverage, lounge and travel services. Similarly, the retail space in Delhi's T3 terminal is spread over 290,000 sq ft.

Apart from Croma, prominent brands with a presence at Indian airports are Shoppers Stop, Hidesign, William Penn, Pavers England, WH Smith, among a host of others. Delhi's Indira Gandhi International Airport, for instance, (terminals T1 and T3 combined) has close to 500 brands spread over 323,000 sq ft. Most of these retailers plan to scale up and are upbeat about the future.

Shoemaker Pavers England operates 14 stores at airports, and its officials say the products that sell more are the high priced ones. Its stores are small, between 150 and 300 sq ft in size, with products offered varying according to location. "What Chennai airport has may not necessarily be there at Mumbai airport, and what Mumbai airport has might not be available in Cochin," says Utsav Seth, CEO of Pavers England India. "White shoes sell well in Hyderabad, they don't in Delhi." Pavers England's stores at airports do better than its regular ones, adds Seth.

It is a similar story for pens and accessories retailer William Penn. "The highest selling products are writing instruments," says the company's CEO, Nikhil Ranjan. The company gets about 10 per cent of its total revenue from its airport stores, three in Delhi and one in Mumbai. It

DILEEP KAPUR/ President, Hidesign

"Airports are a good place to get customers since there is shortage of quality retail space in India"

VIVAN MEHRA

is now actively looking at setting up shop at most of the newly developed airports across the country.

"In recent years, not only has passenger traffic gone up significantly with more low-cost airlines on the scene, but also the time spent by passengers at airports has increased due to early check-in times set by airlines following security and operational concerns," says Devangshu Dutta, CEO of consulting firm Third Eyesight. "This has increased retail opportunities, and airports in recent years are planning retail as an integral part of operations, rather than tucked away in low-traffic corners."

Retailers say it makes sense to be present at airports. "Airports are a very good place to get customers. More so, since there has always been shortage of quality retail space in India," says Dileep Kapur, President of leather bags and accessories-maker Hidesign. Already, global airport retailers are eyeing opportunities in India. Nuance Group AG, the world's largest international airport retailer, through its joint venture with Shoppers Stop Ltd, has been present in the Indian travel retail market for six years. The company currently operates 19 stores at Mumbai International Airport and five at Bangalore International Airport.

Nuance manages almost 770,000 sq ft of retail space globally and operates 300 outlets in 64 locations across the world. It reported an aggregate revenue of CHF (Swiss francs) 2.6 billion (₹18,116 crore) in 2012. "India has huge potential to grow. Airport infrastructure is being developed and we will see the results soon," says Anirban Dutta Chowdhury, Country Head, Nuance India. The retailer's highest selling product is liquor, followed by confectionery and perfumes

Not so long ago, in 2004, when GMR Infrastructure was given the task of developing the Delhi airport, it had to cajole and incentivise brands to open shop on the premises. "There were genuine concerns about whether customers would buy the products," says Romy Juneja, Vice President and Chief Commercial Officer, GMR Delhi International.

But most retailers which chose to enter early are still there and thriving. These include the likes of Shoppers Stop, Croma Retail, Ethos Watch Boutiques and Hidesign. "The Hidesign brand is a perfect fit with airports, considering its customer is the corporate traveller," says Kapur of Hidesign, which has eight Hidesign and Holii stores at airports.

Retailers, however, have to pay much higher rent per square foot for the space they occupy at airports compared with other locations in cities. "There is an assured customer base and you can directly target your core customers, that too seven days a week, so it makes sense for companies to be there, if they're ready to pay the higher rent," says Sushil Patra, Associate Vice President, Retail, Technopak, a consultancy firm.

The returns per square foot are much higher at airports than at other stores. For Croma, the annualised realisation is close to ₹1.2 lakh per sq ft at airports, while in the cities it is close to ₹30,000 to 40,000 per sq ft. It is more profitable than the regular stores, says Joshi. "Our stores are as profitable as those at malls or high streets," says Govind Shrikhande, Managing Director, Shoppers Stop. It operates six stores at airports across the country. "Retailers would not stick around at airports if things were not working out for them," says Dutta of Third-Eye.

Airport retailing then appears poised to take root in India. ◆

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GOVIND SHRIKHANDE/ MD, Shoppers Stop

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CRACKING THE EMPLOYEE CODE

PHOTOGRAPHS BY NILOTPAL BARUAH

Morale boosters: (Left to right) Mayank Bhatnagar, Director – HR, GE Healthcare; Manoj Biswas, Managing Director – Geographic Unit HR Leader, Accenture India; Priya Chetty Rajagopal, Executive Director, Leadership & Board Practice, RGF Executive Search India; Shamni Pande, Senior Editor, *Business Today*; Sreekanth Arimanithaya, Vice President – Human Resources, CSC India; Srikantan Moorthy, Senior Vice President & Group HR Head, Infosys. The panel discussed how to keep employee morale high in tough times

Bangalore's top HR executives munch on ways to keep employee morale high and wonder aloud if staff gets enough training.

By ALOKESH BHATTACHARYYA

As India ponders how to ensure the so-called demographic dividend does not become a demographic disaster, one group of people is exercised the most. The human resources (HR) manager has the unenviable task of providing not just a continuous supply of employees, but also ensuring their skills are continuously upgraded. In the current gloomy economic climate, with companies tightening their belts and disaffection amongst employees spreading, keeping the flock together and keeping it motivated is a critical task. Again, training needs to continue, but is there enough of it?

Two big challenges; two subjects of spirited panel discussion at the first *Business Today* Knowledge Forum on HR held at The Oberoi, Bangalore. In a discussion moderated by Shamni

Pande, *BT*'s Senior Editor, the first panel took on the subject **"Neutralising negativity: keeping employee morale high in tough times"** – most relevant in today's context, not just for HR professionals but also the entire business community. The panel comprised Srikantan Moorthy, Senior Vice President and Group HR Head of Infosys; Manoj Biswas, Managing Director-Geographic Unit HR Leader, Accenture India; Sreekanth Arimanithaya, Vice President for Human Resources at CSC India; Mayank Bhatnagar, Director, HR at GE Healthcare; and Priya Chetty Rajagopal, Executive Director for Leadership and Board Practice at RGF Executive Search India.

Infosys's Moorthy began the discussion by stressing the need for adequate communication, and maintaining that negativity could be countered by giving employees a sense of pride in their company by celebrating success. "Help deepen the trust by simply saying what you do and doing what you say, and communicate, communicate, communicate," said Moorthy. GE's Bhatnagar noted that engaging employee morale was a continuous process, not a one-time activity. Later in the discussion, he also stressed the need to help people find alternative jobs in the same organisation when required. "That's the biggest focus because that is in the organisation's control."

Accenture India's Biswas believed the current situation would remain the new normal, and pointed out three critical areas of focus at Accenture – treat employees as fully mature professionals, give them opportunities to develop their skills and knowledge, and listen to them. "We take pride in being a listening organisation," said Biswas. CSC's Arimanithaya recounted lessons he learnt at his current and two previous organisations, which faced both the external challenge of a slowing economy and the internal challenge of being on the brink of bankruptcy. "The bottom line is leadership and culture, and within culture how you engage your employees with straight talk so that they appreciate and understand you," he said. RGF's Rajagopal said that from a search firm's point of view, things were very different. "A reflection of these turbulent times is a lot more people out there engaging with search firms because they are sort of de-risking themselves," she said.

The second panel discussed another critical issue: **"Employee training: Is India Inc. doing enough?"** And holding forth on the subject was another power-packed panel comprising Pratik Kumar, Executive Vice President for HR at Wipro, who is also CEO of Wipro Infrastructure Engineering; Manish Sabharwal, Chairman of TeamLease; J.M. Prasad, Chief of HR at ING Vysya Bank; Seema Nair, who heads HR at Cisco India, and is also HR Leader for the company's Asia-Pacific, Japan and China businesses; and Saagarika Ghoshal, Director for HR at Metro Cash and Carry.

The discussion was initiated by Wipro's Kumar, who said there was a dichotomy between board level thinking and ground reality in this matter. At the board level the conversation is about enabling the organisation for the future and innovating, but at the ground level companies

Trained to think: (Left to right) J.M. Prasad, Chief – HR, ING Vysya Bank; Manish Sabharwal, Chairman, TeamLease; Saagarika Ghoshal, Director – HR, Metro Cash and Carry; Shamni Pande, Senior Editor, *Business Today*; Seema Nair, Cisco India Head of HR and HR Leader for APJC Regional Business; Pratik Kumar, Executive Vice President – HR, Wipro, and CEO, Wipro Infrastructure Engineering. The panel discussed the need for adequate training

For videos of the discussions, log on to
www.businesstoday.in/btknowledge-blore2014

Srikantan Moorthy
Infosys
"You have to say what you do and do what you say, so people don't have to second-guess you"

Manoj Biswas
Accenture India
"Make listening a continuing process; make your employees participate in the organisation building process"

Sreekanth Arimanithaya
CSC India
"Explain to employees what the transformation journey is all about... Business engagement is very important"

Mayank Bhatnagar
GE Healthcare
"There's a lot we can do to help people find alternative jobs within the same organisation; that's something we do very actively"

Priya Chetty Rajagopal
RGF Executive Search India
"In India, a large part of who I am is where I work. So, constant engagement and communication is critical"

are immersed in finding and training employees quickly for that next billable project. "I will do something which can actually show me returns immediately. But real development and need will play out over a period of time," he said. TeamLease's Sabharwal said there was a financing failure in skill development or corporate training. "Companies are willing to pay for training of candidates, but not for trained candidates. Candidates are not willing to pay for training, but willing to pay for a job. Banks or microfinance firms are not willing to pay for candidates unless the job is guaranteed. And training companies are unable to fill up."

Cisco's Nair said: "What we're doing at this moment from a training standpoint is to some degree due to a lack of choice." She also pointed to some successful programmes run by Cisco such as CCNA and CCNP. A lot of people who pass these programmes end up joining Cisco, but there are those who join other companies too. ING Vysya Bank's Prasad said that the banking industry would earlier hire probationary officers and train them for 12 to 18 months, but that has changed because employees no longer stick around for the next 20 years. "The model has changed from hire-and-train to one where you source, enroll the person in a third-party programme sponsored by him, financed by banks, and then he gets hired by the banking organisation." Metro Cash and Carry's Ghoshal gave insights into how the company hired people below the level of graduates and facilitated their education. "All our associates – people who help you in the store – are 10th standard pass. We help them not only with getting their 12th standard degree, we also make sure they have their certifications in the retail space."

Panellists spoke frankly, passionately and without constraint. SRM University was the presenting sponsor of the *BT* Knowledge Forum on HR. ◆

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Pratik Kumar
Wipro and Wipro Infrastructure Engineering
"When there's a cost crunch, does training come under the lens? It will, if you see it as a spend and not an investment"

Manish Sabharwal
TeamLease
"The corporate sector cannot manufacture its own employees... you will have to figure out a different source of financing"

J.M. Prasad
ING Vysya Bank
"We have something called development tracks where people aspire, enroll, get trained and are prepared for the next role"

Seema Nair
Cisco India
"For us it is important that our leaders learn from new campus hires, around their aspirations, expectations and how they want to be managed"

Saagarika Ghoshal
Metro Cash and Carry
"Organisations are yet to come to that maturity level where we would say we look at training as an investment"

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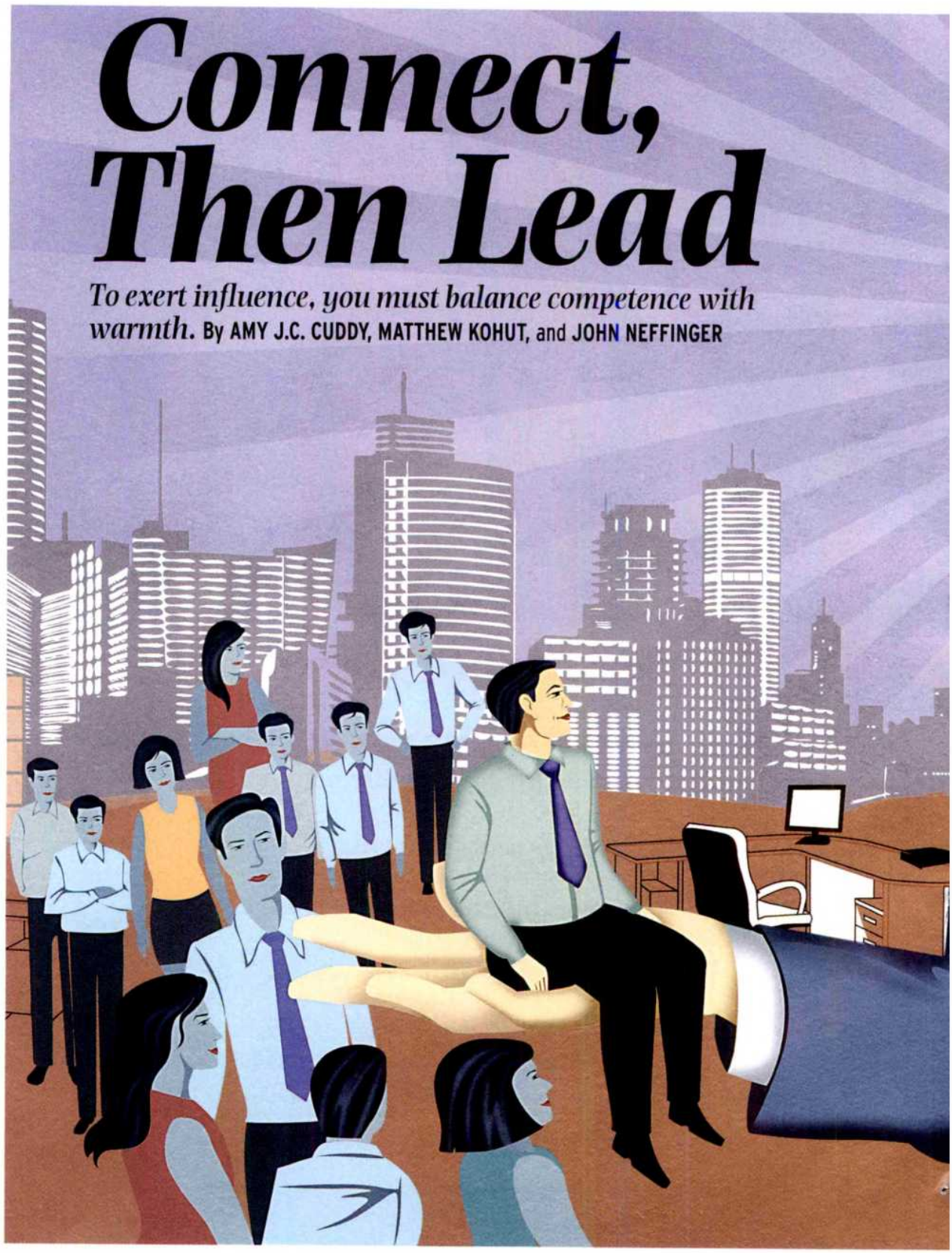
Harvard Business Review

Connect, Then Lead

To exert influence, you must balance competence with warmth. By AMY J.C. CUDDY, MATTHEW KOHUT, and JOHN NEFFINGER



Is it better to be loved or feared? Niccolò Machiavelli pondered that timeless conundrum 500 years ago and hedged his bets. "It may be answered that one should wish to be both," he acknowledged, "but because it is difficult to unite them in one person, it is much safer to be feared than loved."

Now behavioural science is weighing in with research showing that Machiavelli had it partly right: When we judge others – especially our leaders – we look first at two characteristics: how lovable they are (their warmth, communion, or trustworthiness) and how fearsome they are (their strength, agency, or competence). Although there is some disagreement about the proper labels for the traits, researchers agree that they are the two primary dimensions of social judgment.

Why are these traits so important? Because they answer two critical questions: "What are this person's intentions towards me?" and "Is he or she capable of acting on those intentions?" Together, these assessments underlie our emotional and behavioural reactions to other people, groups, and even brands and companies. Research by one of us, Amy Cuddy, and colleagues Susan Fiske, of Princeton, and Peter Glick, of Lawrence University, shows that people judged to be competent but lacking in warmth often elicit envy in others, an emotion involving both respect and resentment that cuts both ways. When we respect someone, we want to cooperate or affiliate ourselves with him or her, but resentment can make that person vulnerable to harsh reprisal (think of disgraced Tyco CEO Dennis Kozlowski, whose extravagance made him an unsympathetic public figure). On the other hand, people judged as warm but incompetent tend to elicit pity, which also involves a mix of emotions: Compassion moves us to help those we pity, but our lack of respect leads us ultimately to neglect them (think of workers who become marginalised as they near retirement or of an employee with outmoded skills in a rapidly evolving industry).

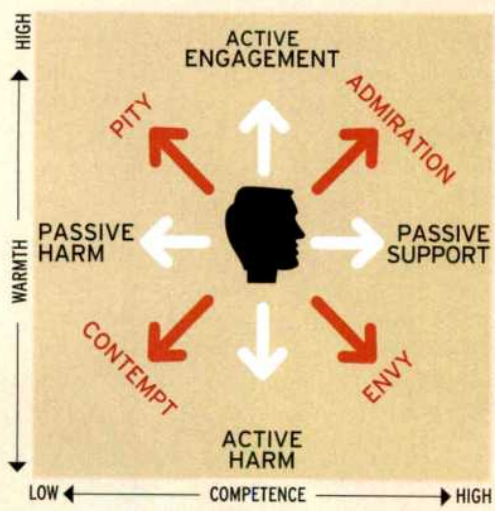
To be sure, we notice plenty of other traits in people, but they're nowhere near as influential as warmth and strength. Indeed, insights from the field of psychology show that these two dimensions account for more than 90 per cent of

the variance in our positive or negative impressions we form of the people around us.

So which is better, being lovable or being strong? Most leaders today tend to emphasise their strength, competence, and credentials in the workplace, but that is exactly the wrong approach. Leaders who project strength before establishing trust run the risk of eliciting fear, and along with it a host of dysfunctional behaviours. Fear can undermine cognitive potential, creativity, and problem solving, and cause employees to get stuck and even disengage. It's a "hot" emotion, with long-lasting effects. It burns into our memory in a way that cooler emotions don't. Research by Jack Zenger and Joseph Folkman drives this point home: In a study of 51,836 leaders, only 27 of them were rated in the bottom quartile in terms of likability and in the top quartile in terms of overall leadership effectiveness – in other words, the chances that a manager who is strongly disliked will be considered a good leader are only about one in 2,000.

HOW WILL PEOPLE REACT TO YOUR STYLE?

Research by Amy Cuddy, Susan Fiske, and Peter Glick suggests that the way others perceive your levels of warmth and competence determines the emotions you'll elicit and your ability to influence a situation. For example, if you're highly competent but show only moderate warmth, you'll get people to go along with you, but you won't earn their true engagement and support. And if you show no warmth, beware of those who may try to derail your efforts – and maybe your career.



A growing body of research suggests that the way to influence – and to lead – is to begin with warmth. Warmth is the conduit of influence: It facilitates trust and the communication and absorption of ideas. Even a few small nonverbal signals – a nod, a smile, an open gesture – can show people that you're pleased to be in their company and attentive to their concerns. Prioritising warmth helps you connect immediately with those around you, demonstrating that you hear them, understand them, and can be trusted by them.

When Strength Comes First

Most of us work hard to demonstrate our competence. We want to see ourselves as strong – and want others to see us the same way. We focus on warding off challenges to our strength and providing abundant evidence of competence. We feel compelled to demonstrate that we're up to the job, by striving to present the most innovative ideas in meetings, being the first to tackle a challenge, and working the longest hours. We're sure of our own intentions and thus don't feel the need to prove that we're trustworthy – despite the fact that evidence of trustworthiness is the first thing we look for in others.

Organisational psychologists Andrea Abele, of the University of Erlangen-Nuremberg, and Bogdan Wojciszke, of the University of Gdańsk, have documented this phenomenon across a variety of settings. In one experiment, when asked to choose between training programmes focusing on competence-related skills (such as time management) and warmth-related ones (providing social support, for instance), most participants opted for competence-based training for themselves but soft-skills training for others. In another experiment, in which participants were asked to describe an event that shaped their self-image, most told stories about themselves that emphasised their own competence and self-determination ("I passed my pilot's licence test on the first try"), whereas when they described a similar event for someone else, they focused on that person's warmth and generosity ("My friend tutored his neighbour's child in math and refused to accept any payment").

But putting competence first undermines leadership: Without a foundation of trust, people in the organisation may comply outwardly with a leader's wishes, but they're much less likely to conform privately – to adopt the values, culture, and mission of the organisation in a sincere, lasting way. Workplaces lacking in trust often have a culture of "every employee for himself," in which people feel that they must be vigilant about protecting their interests. Employees can become reluctant to help others because they're unsure of whether their efforts will be reciprocated

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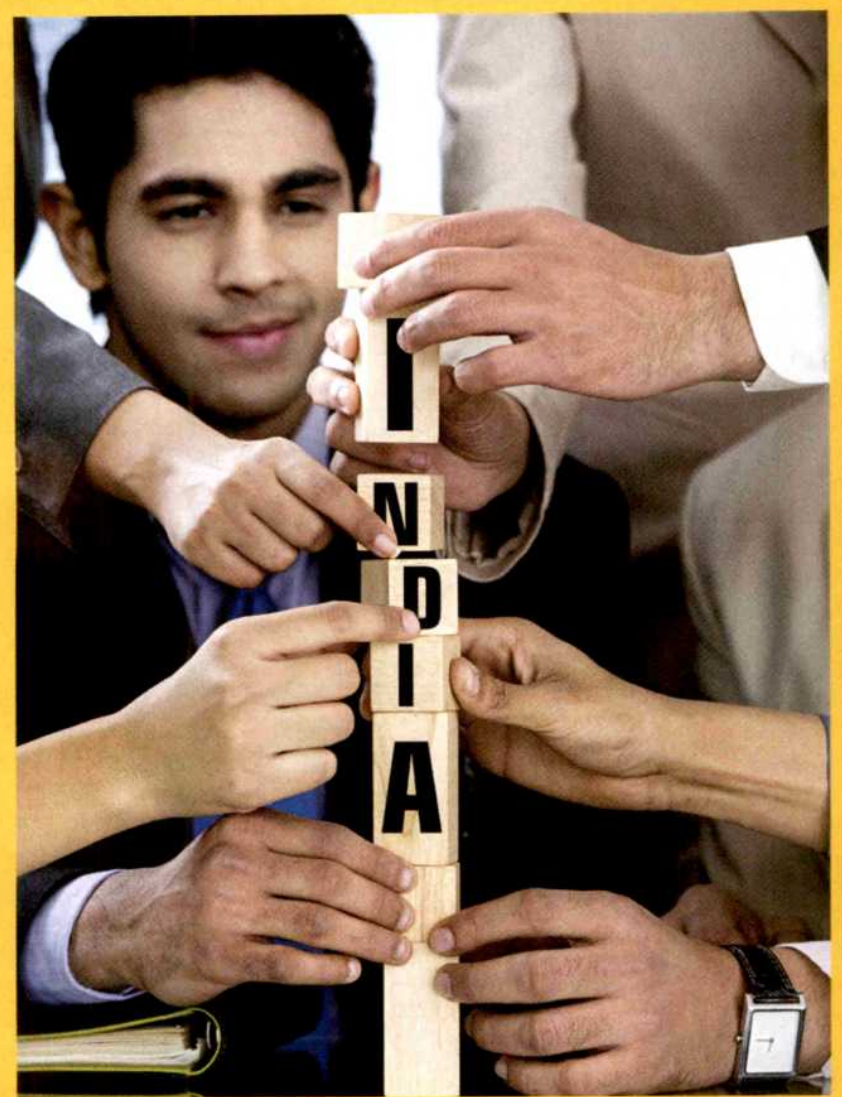

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or recognised. The result: Shared organisational resources fall victim to the tragedy of the commons.

When Warmth Comes First

Although most of us strive to demonstrate our strength, warmth contributes significantly more to others' evaluations of us – and it's judged before competence. Princeton social psychologist Alex Todorov and colleagues study the cognitive and neural mechanisms that drive our "spontaneous trait inferences" – the snap judgments we make when briefly looking at faces. Their research shows that when making those judgments, people consistently pick up on warmth faster than on competence. This preference for warmth holds true in other areas as well. In a study led by Oscar Ybarra, of the University of Michigan, participants playing a word game identified warmth-related words (such as "friendly") significantly faster than competence-related ones (such as "skillful").

Behavioural economists, for their part, have shown that judgments of trustworthiness generally lead to significantly higher economic gains. For example, Mascha van 't Wout, of Brown University, and Alan Sanfey, of the University of Arizona, asked subjects to determine how an endowment should be allocated. Players invested more money, with no guarantee of return, in partners whom they perceived to be more trustworthy on the basis of a glance at their faces.

In management settings, trust increases information sharing, openness, fluidity, and cooperation. If coworkers can be trusted to do the right thing and live up to their commitments, planning, coordination, and execution are much easier. Trust also facilitates the exchange and acceptance of ideas – it allows people to hear others' message – and boosts the quantity and quality of the ideas that are produced within an organisation. Most important, trust provides the opportunity to change people's attitudes and beliefs, not just their outward behaviour. That's the sweet spot when it comes to influence and the ability to get people to fully accept your message.

The Happy Warrior

The best way to gain influence is to combine warmth and strength – as difficult as Machiavelli says that may be to do. The traits can actually be mutually reinforcing: Feeling a sense of personal strength helps us to be more open, less threatened, and less threatening in stressful situations. When we feel confident and calm, we project authenticity and warmth.

Understanding a little bit about our chemical makeup can shed some light on how this works. The neuropeptides oxytocin and arginine vasopressin, for instance, have been linked to our ability to form human attachments, to feel and express warmth, and to behave altruistically. Recent research also suggests that across the

Why Warmth Trumps Strength

The primacy of warmth manifests in many interrelated ways that powerfully underscore the importance of connecting with people before trying to lead them

The Need to Affiliate

People have a need to be included, to feel a sense of belonging. In fact, some psychologists would argue that the drive to affiliate ranks among our primary needs as humans. Experiments by neuroscientist Naomi Eisenberger and colleagues suggest that the need is so strong that when we are ostracised – even by virtual strangers – we experience pain that is akin to strong physical pain.

"Us" Versus "Them"

In recent decades, few areas have received as much attention from social psychology researchers as group dynamics – and for good reason: The preference for the groups to which one belongs is so strong that even under extreme conditions – such as knowing that membership in a group was randomly assigned and that the groups themselves are arbitrary – people consistently prefer fellow group members to nonmembers. As a leader, you must make sure you're a part of the key groups in your organisation. In fact, you want to be the aspirational member of the group, the chosen representative of the group. As soon as you become one of "them" – the management, the leadership – you begin to lose people.

The Desire to Be Understood

People deeply desire to be heard and seen. Sadly, as important as perspective-taking is to good leadership, being in a position of power decreases people's understanding of others' points of view. When we have power over others, our ability to see them as individuals diminishes. So leaders need to consciously and consistently make the effort to imagine walking in the shoes of the people they are leading.

animal kingdom feelings of strength and power have close ties to two hormones: testosterone (associated with assertiveness, reduced fear, and willingness to compete and take risks) and cortisol (associated with stress and stress reactivity).

One study, by Jennifer Lerner, Gary Sherman, Amy Cuddy, and colleagues, brought hundreds of people participating in Harvard executive-education programmes into the lab and compared their levels of cortisol with the average levels of the general population. The leaders reported less stress and anxiety than did the general population, and their physiology backed that up: Their cortisol levels were significantly lower. Moreover, the higher their rank and the more subordinates they managed, the lower their cortisol level. Why? Most likely because the leaders had a heightened sense of control – a psychological factor known to have a powerful stress-buffering effect. According to research by Pranjal Mehta, of the University of Oregon, and Robert Josephs, of the University of Texas, the most effective leaders, regardless of gender, have a unique physiological profile, with relatively high testosterone and relatively low cortisol.

Before people decide what they think of your message, they decide what they think of you

Such leaders face troubles without being troubled. Their behaviour is not relaxed, but they are relaxed emotionally. They're often viewed as "happy warriors," and the effect of their demeanour on those around them is compelling. Happy warriors reassure us that whatever challenges we may face, things will work out in the end. Ann Richards, the former governor of Texas, played the happy warrior by pairing her assertiveness and authority with a big smile and a quick wit that made it clear she did not let the rough-and-tumble of politics get her down.

During crises, these are the people who are able to keep that influence conduit open and may even expand it. Most people hate uncertainty, but they tolerate it much better when they can look to a leader who they believe has their back and is calm, clearheaded, and courageous. These are the people we trust. These are the people we listen to.

There are physical exercises that can help to summon self-confidence – and even alter your body's chemistry to be more like that of a happy warrior. Dana Carney, Amy Cuddy, and Andy Yap suggest that people adopt "power poses" associated with dominance and strength across the animal kingdom. These postures are open, expansive, and space-occupying (imagine Wonder Woman and Superman standing tall with their hands on their hips and feet spread apart). By adopting these postures for just two minutes prior to social encounters, their research shows, participants significantly increased their testosterone and decreased their cortisol levels.

Bear in mind that the signals we send can be ambiguous – we can see someone's reaction to our presence, but we may not be sure exactly what the person is reacting to. We may feel a leader's warmth but remain unsure whether it is directed at us; we sense her strength but need reassurance that it is squarely aimed at the shared challenge we face. And, as we noted earlier, judgments are often made quickly, on the basis of nonverbal cues. Especially when facing a high-pressure situation, it is useful for leaders to go through a brief warm-up routine beforehand to get in the right state of mind, practising and adopting an attitude that will help them project positive nonverbal signals. We refer to this approach as "inside-out," in contrast to the "outside-in" strategy of trying to consciously execute specific nonverbal behaviours in the moment. Think of the difference between method acting and classical acting: In method acting, the actor experiences the emotions of the character and naturally produces an authentic performance, whereas in classical acting, actors learn to exercise precise control of their nonverbal signals. Generally speaking, an inside-out approach is more effective.

There are many tactics for projecting warmth and competence, and these can be dialled up or down as needed. Two of us, John Neffinger and Matt Kohut, work with leaders from many walks of life in mastering both nonverbal and verbal cues. Let's look now at some best practices.

How to Project Warmth

Efforts to appear warm and trustworthy by consciously controlling your nonverbal signals can backfire: All too often, you'll come off as wooden and inauthentic instead. Here are ways to avoid that trap.

Find the right level. When people want to project warmth, they sometimes amp up the enthusiasm in their voice, increasing their volume and dynamic range to convey delight. That can be effective in the right setting, but if those around you have done nothing in particular to earn your adulation, they'll assume either that you're faking it or that you fawn over everyone indiscriminately.

A better way to create vocal warmth is to speak with lower pitch and volume, as you would if you were comforting a friend. Aim for a tone that suggests that you're levelling with people – that you're sharing the straight scoop, with no pretence or emotional adornment. In doing so, you signal that you trust those you're talking with to handle things the right way. You might even occasionally share a personal story – one that feels private but not

Are You Projecting Warmth?

How you present yourself in workplace settings matters a great deal to how you're perceived by others. Even if you're not feeling particularly warm, practising these approaches and using them in formal and informal situations can help clear your path to influence

WARM

When standing, balance your weight primarily on one hip to avoid appearing rigid or tense

Tilt your head slightly and keep your hands open and welcoming

Lean inward in a nonaggressive manner to signal interest and engagement

Place your hands comfortably on your knees or rest them on the table

Aim for body language that feels professional but relaxed

COLD

Avoid standing with your chin pointed down

Don't pivot your body away from the person you're engaging with

Avoid closed-hand positions and cutting motions

Try not to angle your body away from the person you're engaging

Crossing your arms indicates coldness and a lack of receptivity

Avoid sitting "at attention" or in an aggressive posture

inappropriate – in a confiding tone of voice to demonstrate that you're being forthcoming and open. Suppose, for instance, that you want to establish a bond with new employees you're meeting for the first time. You might offer something personal right off the bat, such as recalling how you felt at a similar point in your career. That's often enough to set a congenial tone.

Validate feelings. Before people decide what they think of your message, they decide what they think of *you*. If you show your employees that you hold roughly the same worldview they do, you demonstrate not only empathy but, in their eyes, common sense – the ultimate qualification for being listened to. So if you want colleagues to listen and agree with you, first agree with them.

Imagine, for instance, that your company is undergoing a major reorganisation and your group is feeling deep anxiety over what the change could mean – for quality, innovation, job security. Acknowledge people's fear and concerns when you speak to them, whether in formal meetings or during watercooler chats. Look them in the eye and say, "I know everybody's feeling a lot of uncertainty right now, and it's unsettling." People will respect you for addressing the elephant in the room, and will be more open to hearing what you have to say.

Smile – and mean it. When we smile sincerely, the warmth becomes self-reinforcing: Feeling happy makes us smile, and smiling makes us happy. This facial feedback is also contagious. We tend to mirror one another's nonverbal expressions and emotions, so when we see someone beaming and emanating genuine warmth, we can't resist smiling ourselves.

Warmth is not easy to fake, of course, and a polite smile fools no one. To project warmth, you have to genuinely feel it. A natural smile, for instance, involves not only the muscles around the mouth but also those around the eyes – the crow's feet.

So how do you produce a natural smile? Find some reason to feel happy wherever you may be, even if you have to resort to laughing at your predicament. Introverts in

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social settings can single out one person to focus on. This can help you channel the sense of comfort you feel with close friends or family.

For example, KNP worked with a manager who was having trouble connecting with her employees. Having come up through the ranks as a highly analytic engineer, she projected competence and determination, but not much warmth. We noticed, however, that when she talked about where she grew up and what she learned about life from the tight-knit community in her neighbourhood, her demeanour relaxed and she smiled broadly. By including a brief anecdote about her upbringing when she kicked off a meeting or made a presentation, she was able to show her colleagues a warm and relatable side of herself.

One thing to avoid: smiling with your eyebrows raised at anyone over the age of five. This suggests that you are overly eager to please and be liked. It also signals anxiety, which, like warmth, is contagious. It will cost you much more in strength than you will gain in warmth.

How to Project Strength

Strength or competence can be established by virtue of the position you hold, your reputation, and your actual performance. But your presence, or demeanour, always counts, too. The way you carry yourself doesn't establish your skill level, of course, but it is taken as strong evidence of your attitude – how serious you are and how determined to tackle a challenge – and that is an important component of overall strength. The trick is to cultivate a demeanour of strength without seeming menacing.

Feel in command. Warmth may be harder to fake, but confidence is harder to talk yourself into. Feeling like an impostor – that you don't belong in the position you're in and are going to be "found out" – is very common. But self-doubt completely undermines your ability to project confidence, enthusiasm, and passion, the qualities that make up presence. In fact, if you see yourself as an impostor, others will, too. Feeling in command and confident is about connecting with yourself. And when we are connected with ourselves, it is much easier to connect with others.

Holding your body in certain ways, as we discussed above, can help. Although we refer to these postures as power poses, they don't increase your dominance over others. They're about personal power – your agency and ability to self-regulate. Recent research led by Dacher Keltner, of the University of California, Berkeley, shows that feeling powerful in this way allows you to shed the fears and inhibitions that can prevent you from bringing your fullest, most authentic and enthusiastic self to a high-stakes professional situation, such as a pitch to investors or a speech to an influential audience.

Stand up straight. It is hard to overstate the importance of good posture in projecting authority and an intention to be taken seriously. As Maya Angelou wrote, "Stand up straight and realise who you are, that you tower over your circumstances." Good posture does not mean the exaggerated chest-out pose known in the military as standing at attention, or raising one's chin up high. It just means reaching your full height, using your muscles to straighten the S-curve in your spine rather than slouching. It sounds trivial, but maximising the physical space your body takes up makes a substantial difference in how your audience reacts to you, regardless of your height.

Get ahold of yourself. When you move, move deliberately and precisely to a specific spot rather than casting your limbs about loose-jointedly. And when you are finished moving, be still. Twitching, fidgeting, or other visual static sends the signal that you're not in control. Stillness demonstrates calm. Combine that with good posture, and you'll achieve what's known as poise, which telegraphs equilibrium and stability, important aspects of credible leadership presence.

Standing tall is an especially good way to project strength because it doesn't interfere with warmth in the way that other signals of strength – cutting gestures, a furrowed brow, an elevated chin – often do. People who instruct their children to stand up straight and smile are on to something: This simple combination is perhaps the best way to project strength and warmth simultaneously.

IF YOU want to effectively lead others, you have to get the warmth-competence dynamic right. Projecting both traits at once is difficult, but the two can be mutually reinforcing – and the rewards substantial. Earning the trust and appreciation of those around you feels good. Feeling in command of a situation does, too. Doing both lets you influence people more effectively.

The strategies we suggest may seem awkward at first, but they will soon create a positive feedback loop. Being calm and confident creates space to be warm, open, and appreciative, to choose to act in ways that reflect and express your values and priorities. Once you establish your warmth, your strength is received as a welcome reassurance. Your leadership becomes not a threat but a gift. ◆

Amy J.C. Cuddy *is an associate professor of business administration at Harvard Business School.* **Matthew Kohut** *and* **John Neffinger** *are the authors of* Compelling People: The Hidden Qualities That Make Us Influential *(Hudson Street Press, August 2013) and principals at KNP Communications.* *This article was published in* HBR, *July-August 2013.* *Copyright © 2014 Harvard Business School Publishing Corporation. All rights reserved.*

Planning your child's future

While children are a tremendous joy, they are a big responsibility. Financial planning can help manage the costs, from childhood through university

The first three months of the calendar year are typically tough on most school-going children with many staring at their school examination. For those in higher classes, these exams and their results tend to be instrumental in deciding their future. Parents with young children may be well off if they start thinking of their child's future education needs as early as possible. While it is easy to believe there is plenty of time to save for university, and equally easy to delay getting started on planning and savings; it would be best for parents to start saving for their child's future education needs at an early stage.

Always bear in mind the fact that expenses will only mount as the child grows older. It is for this reason that when it comes to your child's future financial needs, the sooner you start to invest, plan and save, the better your chances are of enjoying a financially less stressful experience when your children enters university. Today, education, especially college is a high cost affair, more so if you want your child to pursue a professional course like engineering or medicine.

The reality is that time flies and before you know, the time arrives for your child to enter college. If not planned well, you could be facing a tough situation which could impact your child's future, something that you would not like to compromise. Considering the fact that education inflation is higher than regular inflation, the cost of education will only go up and not down, you need to make sure that you are well in control of the surprises that you may face at the actual time of need.

Higher education cost will also depend on where your child studies—India or abroad. You'll need a lot more if your child wants to study abroad, which again can swing wildly depending in the prevalent currency exchange rates. A professional course like engineering or medicine could run into several lakhs when studying in India. For instance, in 'The cost of education' table we have considered Rs 20 lakh to be the cost of engineering from a good college in India and includes all costs such as fee, boarding, mess fee and even making two annual trips to home.

The cost of education

A four year professional course like engineering costs Rs 20 lakh today

	6%	8%	10%
Cost after 5 years	26.76	29.38	32.21
Cost after 10 years	35.81	43.17	51.87
Cost after 15 years	47.93	63.44	83.54
Cost after 20 years	64.14	93.21	134.55

All figures in Rs lakh The cost of the course goes up depending on the prevailing inflation rate

Despite the wide necessity for financial products to cater to the needs of children, there are few readymade options. A child plan from a life insurer is an option close to what you actually need. Most of these plans are structured to start paying back as soon as your child turns 18. These plans work on the basic premise of insuring your life while creating a corpus for your child to be redeemed at select milestone years—entering college, finishing college, etc. These products offer lump-sum payouts over a span of 5-7 years, depending on the policy. The biggest advantage of these plans is the life cover offered to the parent, which ensures that the proceeds reach the child at the promised age of education.

The other option is to build your own corpus by investing in a portfolio of mutual funds with a 15-20 year time horizon that will build enough money to pay for your child's college and higher education. Remember that such a plan will work best, if your curtail your temptation to use the money in such an investment to finance your other financial needs. Choose from what's on offer or structure your own plan. But don't forget that in order to enjoy your years as a parent, you simply must start planning your finances even before you start planning a baby.

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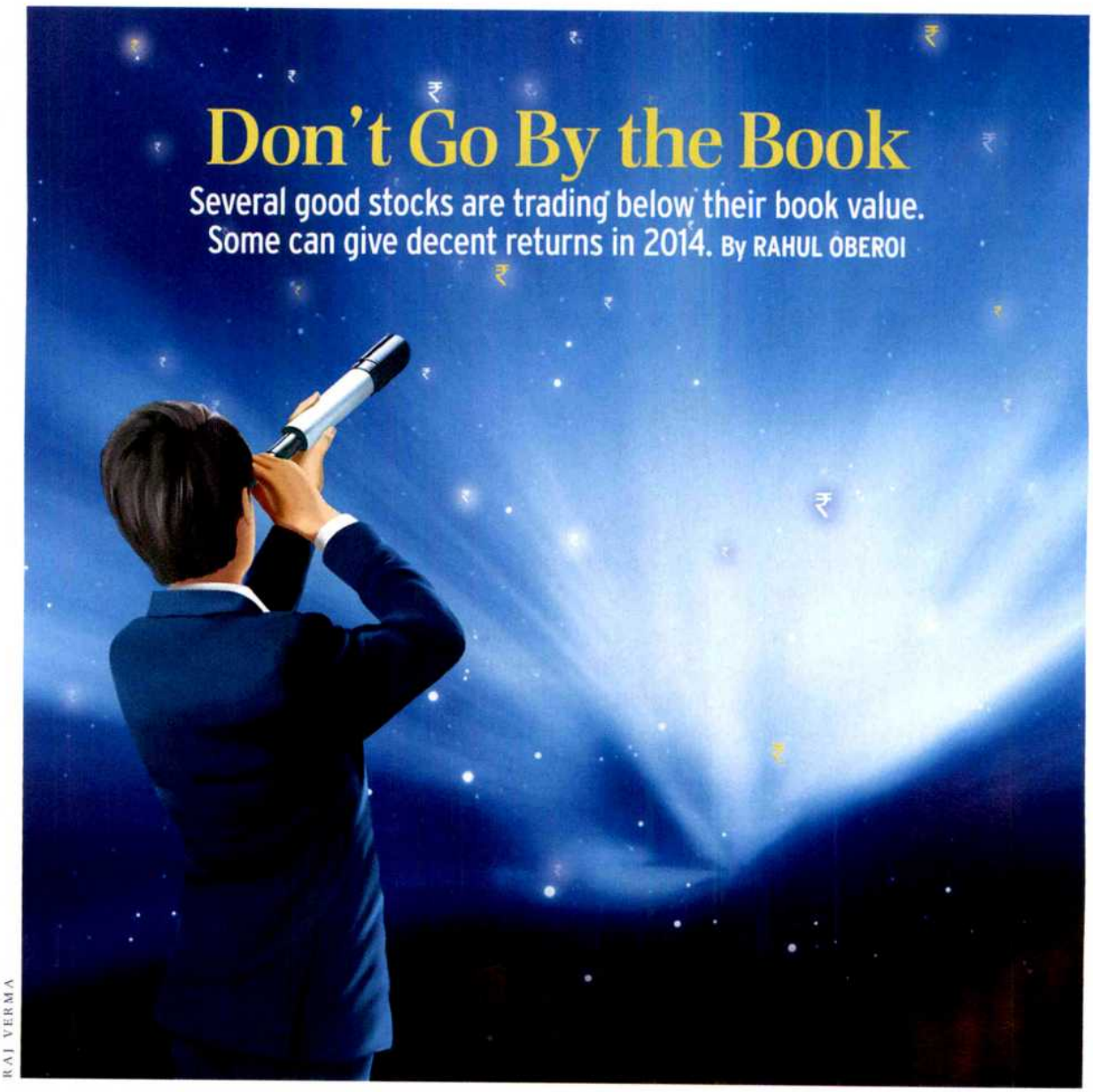


RAJ VERMA

Don't Go By the Book

Several good stocks are trading below their book value. Some can give decent returns in 2014. By RAHUL OBEROI

Savvy investors are always on the lookout for stocks that are not fully valued or, still better, are grossly undervalued. An important measure of value is the book value per share – total assets minus intangible assets and liabilities divided by the number of outstanding shares. If the price-to-book value per share is less than one, it means the stock is trading below its book value.

Experts say that the price-to-book value indicates whether the stock is undervalued or overvalued, and has to be seen alongside other factors, such as the company's earnings record. However, for most investors, it's a good starting point to look for undervalued stocks.

For the record, more than one-

fourth of the stocks in the Bombay Stock Exchange (BSE) 500 index are trading at less than their book values. Of these 130 stocks, 84 were below their book values on January 1 last year as well.

Of these, 70 gave negative returns in 2013. The S&P BSE 500 index accounts for nearly 93 per cent market capitalisation of the BSE.

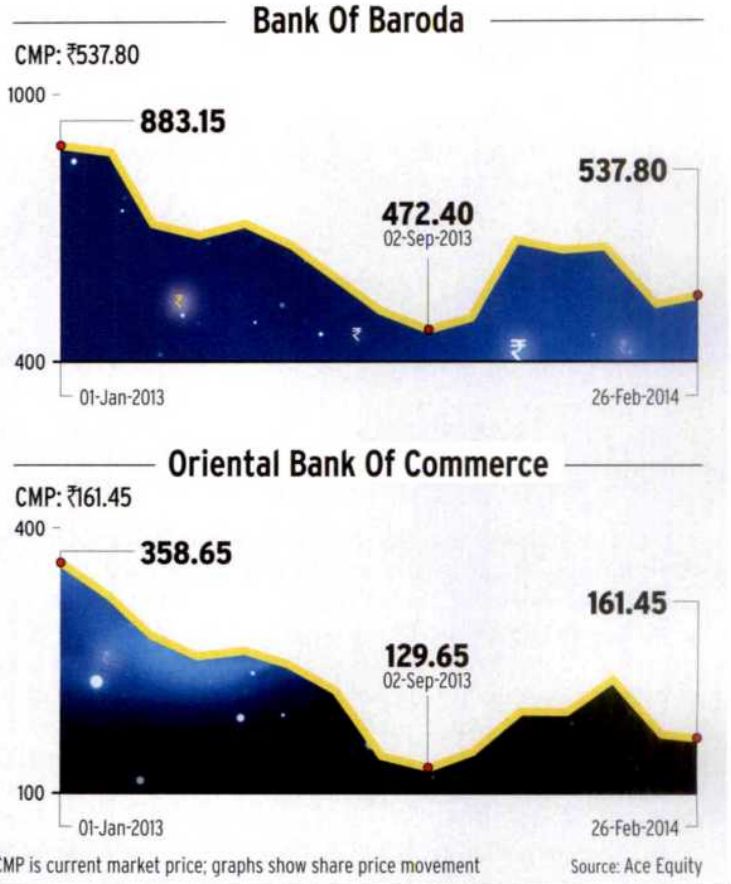
Book value represents that part of the accounting value of a business that will be left after debts are paid off. You can arrive at the figure by deducting liabilities from assets (you are left with shareholders' equity). Dividing this by the number of shares will give the book value per share.

"When compared with the market value, book value can indicate whether a stock is overvalued or undervalued. For companies with negative earnings which cannot be valued using the price-to-earnings ratio, the price-to-book value multiple can be used, especially for relative comparison, as the number of companies with negative book value is far less than the number of companies with negative earnings," says Rajiv Mehta, Assistant Vice President, Research, India Infoline.

Some big companies that are trading below book values are Tata Steel, Bajaj Hindusthan, Steel Authority of India, Reliance Communications and State Bank of Bikaner and Jaipur.

A stock may trade below its book value for several reasons, the foremost being lack of investor confidence in the company's future. If it is widely believed that the company's performance will deteriorate, its stock will possibly trade at a discount to its book value. Another reason could be that the company is adopting aggressive accounting policies to bloat its net worth.

"Book value should not be seen in isolation. At times, due to its cyclical nature, the whole industry may be going through tough times. Such companies, as a result, may trade at a discount to their book value," says Modan Saha, Joint MD, Axis Securities.



CMP is current market price; graphs show share price movement Source: Ace Equity

A good example right now is capital goods, infrastructure and metal companies, which are trading at discount to their book value as their near-term profit outlook is not bright.

What Should You Buy

Book value should not be seen in isolation. This is because many companies create revaluation reserves to inflate book value. Many also raise equity at a substantial premium. Investors should adjust for these factors. Also, in industries such as information technology, where the requirement for capital is low, the book value tends to be low. This does not mean that they do not offer value.

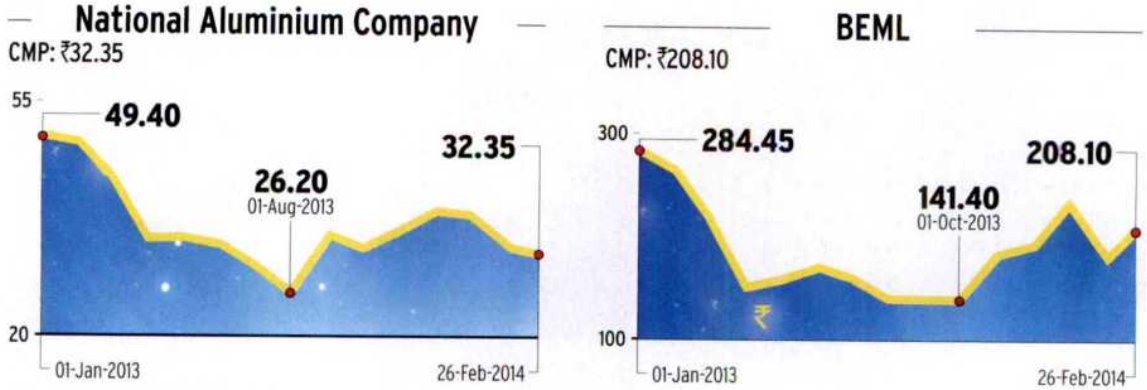
Book value should not be seen in isolation. This is because many companies create revaluation reserves to inflate book value. Many raise equity at a substantial premium. Investors should adjust for these factors.

Also, in industries such as information technology, where the requirement for capital is low, the book value tends to be low. This does not mean that they do not offer value.

Ideally, while deciding to invest in a capital-intensive industry, the investor needs to ascertain if the current market price is less than the assets' replacement cost or book value.

Sonam Udasi, Senior Vice President and head of research, IDBI Capital Markets, says book value should be one of the factors to be considered while taking an investment decision. For example, a company's book value may look high, but if the management is unable to add to it, it is futile. Or, an emerging company's book value may be small but may not capture the future growth potential.

Dipen Shah, Head, Private Client



CMP is current market price; graphs show share price movement

Source: Ace Equity

Group Research, Kotak Securities, says: "It all depends upon what type of company we are talking about. Companies with a lot of fixed assets (say manufacturing companies) have a high book value. In contrast, labour-intensive companies may have a lower book value."

Investment Options

We talk to experts to find out which sectors and stocks are looking attractive at this point from the price-to-book value, or P/BV, angle. IDBI Capital Markets's Udasi says investors can look at large PSU banks with a two-year view.

Bank of Baroda: The second-largest public sector bank has a well-diversified book with 32 per cent exposure to overseas markets. "Unlike other PSU banks, the market share of the bank rose between 2006/07 (3.5 per cent) and 2012/13 (4 per cent). Though gross non-performing assets rose from 1.36 per cent in 2011 to 2.40 in 2013, we expect the pace of asset quality deterioration to slow down. Domestic net interest margins are expected to be 2.8 per cent by 2014/15," says Pankaj Pandey, Head of Research, ICICI Direct. On February 26, it was at ₹537.80, with a price-to-book value of 0.66.

Oriental Bank of Commerce: In 2013, the stock fell 36 per cent from ₹358 to ₹228.80. Net NPAs rose from 2.21 per cent in March 2012 to 2.27 per cent in March 2013.

Still, Saikiran Pulavarthi, Head of Research, Espirito Santo Securities, is bullish on the bank. "The bank is trading at a P/BV of 0.4 primarily due to asset quality concerns. We recommend the stock as a play on economic recovery and interest rate cuts as the bank will benefit significantly from both asset quality improvement and treasury gains (as interest rates fall)."

National Aluminium Company Ltd: The stock fell 23.38 per cent to ₹37.85 in 2013. The net profit for the year ended March 2013 fell 31.39 per cent from ₹849.50 crore to ₹582.83 crore.

Gaurav Mehta, Vice President, Institutional Equities, Ambit Capital, sees an upside. "Our 'buy' stance on Nalco is driven by the company's decision to reduce exposure to aluminium, rising exposure to the high-margin alumina segment and strong balance sheet (cash per share of ₹19, 50 per cent of the current market price). At the current market price, the stock is trading at 2014/15 EV/EBITDA of 3.9 times.

The 2014/15 P/BV is 0.8, which appears in line with peers. However, Nalco has cash per share of ₹19 and on an ex-cash basis is trading at a P/BV of 0.6, which is cheaper than its peers, which are at 0.7." On February 26, the Nalco was trading at ₹32.35 with a P/BV of 0.67.

130

stocks in the BSE 500 Index were trading below book value on Dec 31, 2013

BEML: BEML is a public sector undertaking that makes rail coaches, spare parts and mining equipment. It offers high-quality products for diverse sectors of the economy. On February 26, the stock was trading at nearly 50 per cent discount to its book value.

Saha of Axis Securities says, "We believe that BEML will be the biggest gainer once regulatory hurdles that are impacting the mining sector are removed. Given the green shoots of revival visible in the economy and the improved order book from defence organisations, BEML is poised for a turnaround in 2014. We believe the concern over past trucks orders is overdone and that BEML can be a good investment for 2014 at the current market price." ◆

Courtesy: *Money Today*

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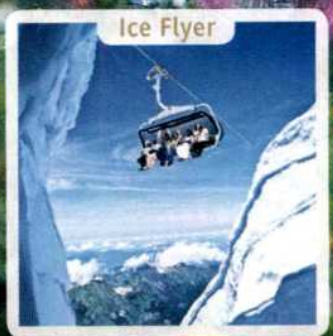

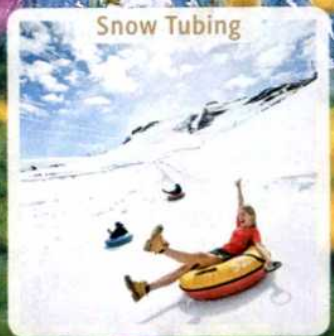

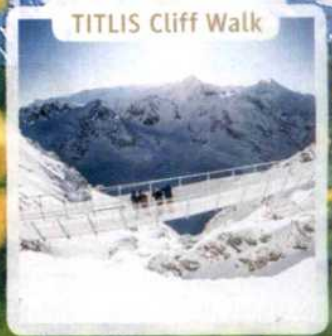

ONE MOUNTAIN – *ALL SEASONS*

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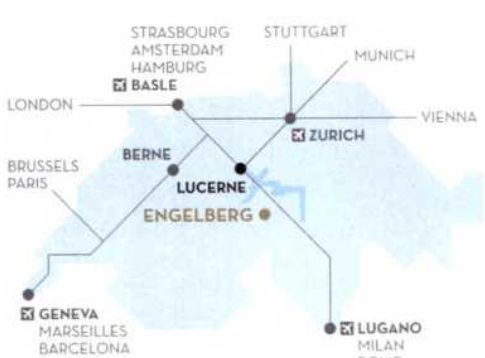

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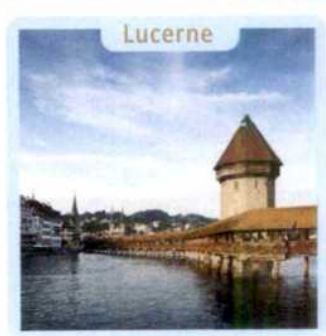

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NCR

Revolutionizing Consumer Transactional Technologies

Harnessing the power of the 21st century transactions

NCR Corporation (NYSE: NCR) is the **global leader in consumer transaction technologies**, turning everyday interactions with businesses into exceptional experiences. With its software, hardware, and portfolio of services, NCR enables more than **485 million transactions daily** across retail, financial, travel, hospitality, telecom and technology and small business. NCR is headquartered in Duluth, Georgia with approximately **29,000 employees** and does business in **180 countries**. Our position enables us to leverage unique insights to how consumers get information, make purchase decisions and pay for products and services when they bank, shop, travel, buy entertainment and manage healthcare, on a global basis. NCR solutions **run the everyday transactions that make the life of businesses and consumers easier**. In India, NCR started its operations in July 1996 and has been a **leader in the ATM manufacturing and financial services for the last 17 years**. NCR's experience and expertise coupled with its sheer dedication and commitment towards developing innovative solutions that addresses key challenges faced by banks today, makes it a 'partner of choice' for majority of leading financial institutions in India.

Why NCR continues to be a 'preferred partner of choice' for financial institutions in India -- a perspective by Jaivinder Gill – NCR Vice President, Financial Services for India and South East Asia:

"NCR has always been at the forefront of introducing innovative products to make customer's everyday life easy. Consumers today are time starved, less loyal and digitally empowered using multi-channel platforms like the Internet, Mobile and Social Networking Technologies to connect with their service providers. NCR's in-depth understanding of the consumer transaction technology over the years allows us to cater to these digitally savvy customers in the way they choose to connect.

Bank branches continue to play a key role for financial institutions as even today, 80% of product sales are still being closed at the branch. Banks around the world are aware of the fact that maximizing income generation, managing expenditure, controlling risk and growing customer loyalty by improving the customer experience a more important than ever for banks to continue to stay ahead competition. To enable banks to achieve this, NCR's market-leadi hardware-enabled, software-driven solutions supported by our glob professional services organization brings the branch together b enabling self-service, assisted self-service technologies such a Interactive Teller, Financial Kiosks, Cash Recyclers, Cash Connect ar APTRA Vision Software -- let's staff serve customers more efficientl increases productivity and drives growth for banks.

The promise of consumer self-service is to enable a successf interaction every time. As ATMs continue to be the most preferre banking channel for Indian consumers it is imperative for financi institutions to not only ensure availability of this self-service channel bu also to constantly innovate and retain customers to aid brand loyalty. T help banks address this issue, NCR has introduced **NCR Predictiv Services**, which watches critical components of self-service device anticipating any issues before they happen and proactively schedule fixes that minimize the number and duration of service interruption. When combined with remote services capabilities, NCR can perfor remote diagnosis and resolution activities at the device, and help ou customers drive higher availability, at the right times, and to ensure tha self-service devices are available when consumers want to use them.

As the market leader in consumer transaction technologies it become imperative for NCR to deliver tomorrows consumer experience toda and have a pulse on all futuristic technologies and services. The next bi trend we see in global markets and soon to be adopted in India is **SaaS Software as a Service Model** that has become a common deliver model for many business applications. NCR SaaS transform businesses by lowering costs, accelerating deployment and increasin efficiencies, while also giving customers the freedom to focus on the core business. With SaaS new applications are quickly deployed an infrastructure and personnel costs are reduced. All this, while sti meeting our customers' requirements for high applicatio availability and IT security.

Global financial services technology spending is continuall being evaluated as banks are now faced with decisions i addressing rising capital costs, margin pressures, and, a the same time, driving cost out of their services, operation and infrastructure. This environment brings considerabl pressure on overall capital expenditures and attention t driving operational efficiency. We continue to be 'preferred partner' for financial institution in India led by our ability to delive innovative self-service technologie benchmark services, cash an enterprise management solution that clearly differentiates NCR' value proposition in the country c being an end-to-end solution provider. The recent acquisitions c **Transoft International Inc.** - one c the world leaders in Cas Management Forecasting an Optimization software solutions an **Alaric Systems Limited** - a provide of secure transaction switching an fraud prevention software helps us t strongly align with requirements c Indian banks and reiterates ou continued commitment to th Indian market."

Delivering tomorrow's consumer experience, today!

Navroze Dastur – NCR Managing Director, Financial Services, India shares his view on how NCR can make 'banking for the masses' a reality:

"India is an opportunistic market and provides huge scope for growth of ATMs with almost 50 per cent of India's population unbanked and having no formal source of banking. India, by and large, is perceived as a country that lacks financial inclusion. As per RBR data, there are only 74 ATMs per million people in the country. Despite a decade of promotion of alternate channels, it is evident that the bank branches and ATMs are the most popular. There is a requirement of additional branches and ATMs in the coming decade which will be 3 times more than the branches and ATMs launched in the last decade. RBI's provision of banking licenses will bring in new banks and thereby open avenues of innovation, ideally referred to as 'new generation banking'. This phase will witness ATMs that virtually double up as bank branch for the customers.

The recent initiatives undertaken by Government, Ministry of Finance and the ATM community has and will allow ATM industry to soon see a spike in the installations thereby increasing its penetration in rural India which was relatively poor. However, with more opportunities lie even more challenges. The biggest challenge in India is the availability of power, environment condition and security. To address this issue NCR has 'Smart Connection' technology that uses GSM connectivity for ATMs so that ATMs can be deployed at any remote location around the country, biometrics enabled ATMs ensure dual level authentication and the multi-lingual software customisation in over 20 Indian languages ensures easy navigation for rural population as the ATM speaks the language of their choice.

NCR enjoys 45% market share in India and has introduced relevant solutions that addresses key problems faced by financial institutions. The **NCR SelfServ 22e** is designed keeping this in mind. This ATM uses low-energy LED lighting and fixed length receipts to minimize power consumption, carbon footprint and paper waste. RBI's provision of banking licenses to private players has given NCR a platform to introduce **NCR APTRA Interactive Teller** – an ATM that will allow over 90% of branch banking transactions available at the ATM 24x7. This ATM has a virtual teller where, an executive can have LIVE video conference with the bank's teller centre and resolve his queries in real time. Today, financial institutions not only prefer innovation, but also exceptional customer experience while maintaining operational efficiency."

Committed investments in India give NCR strategic advantage...

India being an important market, NCR has invested in a state-of-the-art manufacturing plant in Puducherry, dedicated R&D Centre in Hyderabad and Development Centre in Gurgaon which reinforces NCR's commitment to India.

NCR has a **state-of-the art Manufacturing Facility in Puducherry** and is a significant contributor to NCR's Global Manufacturing Operations. The facility manufactures ATMs for the domestic and export market. The Puducherry Plant is also the Centre of Excellence for Modules (sub-assemblies of ATMs), catering to the demand of other sister plants of NCR. In the Year 2011-12, Govt of India recognized this facility for highest Exports in Electronic Hardware Units. NCR SelfServ 22e was first launched in India at NCR's Puducherry facility and then extended to the global market. NCR Puducherry facility continues to deliver highest quality product at the short lead time, and will remain as a strategic contributor to the Company's growth story.

Emerging Market Innovation Centre

Started in July 2004, NCR R&D facility in Hyderabad is a 100% EOU unit. It consists of collaborative, co-located Solution Realization Teams (SRTs) focussed on local market solutions and global innovation. The primary activity within the centre is development of self-service applications for the Financial Industry. The various applications developed out of the centre include the globally deployed APTRA AANDC solution, APTRA Edge and the latest cutting edge APTRA Activate suite of products. An innovative solution worth remembering is the 'Talking ATMs' by NCR especially for the visually challenged population.

India Development Centre

ITS Development Centre, also referred to as IDC, is the offshore development and support centre for NCR IT Services, located at Gurgaon, in India. This centre manages over 50 per cent of NCR's global IT Services and is strategically structured in five separate divisions, namely, Enterprise Applications, ERP, Enterprise Data-warehouse & Business Intelligence, Service Technology and Technology & Infrastructure. These divisions work on the development and support of more than 300 ITS business applications that are used by the business users for managing their businesses. Supporting the local and global needs for over nine years, IDC continues to set new benchmarks with greater insight and deeper understanding of the consumer transaction applications that our customers demand.

LAST BUT NOT LEAST

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The Day of the Epicure

A new breed of spice merchants is meeting the rediscovered Indian demand for authentic spices.

By MANISHA SINGHAL

PHOTOGRAPHS BY SHEKHAR GHOSH

Purity of form and essence is becoming important once more for urban Indian consumers of spices. They want to know everything before they buy – where the spices were sourced from, how they were handled, as well as the finer details of their quality.

"There is a collective cultural memory of quality, which creates demand," says Julian Amery, 44, whose company, ASA Trading (pro-

Freshly-ground: Julian Amery at his counter at the Foodhall outlet in Gurgaon Central Mall

SPICING IT UP

India produces ***6 million tonnes*** *of spices annually*

It exports ***11 per cent*** *of its total production of spices*

Of the exports, some ***1,400*** *tonnes were of organic spices*

60 different types *of spices are grown in the country*

All figures for 2011/12
Source: Spices Board India, Ministry of Commerce and Industry

"It is about going on a journey with our customers, exploring new, exciting ways of using spices, and also ways in which these can be incorporated into our lives"

nounced *Asha* Trading, after 'hope' in Hindi) retails in India through the high-end outlet Foodhall. The company is registered in his native Denmark.

Amery's love affair with India and spices began in 2008 during a solo overland trip from London to Tibet, via Turkey, Iran, Pakistan, India and Nepal. The journey made him aware of the heritage and culinary traditions of Indian spices. Later, a meeting between his family in Copenhagen and Kishore Biyani, Founder, Future Group, led to a business partnership.

India has an age-old tradition of family specific recipes, but for these to live up to their promise, the spices used have to be as fresh as possible and ground in the right way. The widely available brands of mass produced spices do not meet these exacting standards. But companies like ASA maintain their products do.

ASA Trading occupies a modest 125 sq. ft. stall in Foodhall, but its impact has been considerable. Biyani's daughter Avni, Concept Head at Foodhall, says she was charmed by the way ASA Trading romanticises its spices. "The concept has never been tried in India before," she adds. "The way the spices are displayed gives a spice bazaar feel, especially to women who have a deep connection with spices. This interaction is not available elsewhere and has been a great success formula. It adds value to Foodhall and going forward will be big revenue driver for our outlets." The top selling spices? *Garam masala* and *chai masala*.

Nearly 30 per cent of Foodhall's spice portfolio is sourced internationally. "We get requests to source vanilla beans from Madagascar, cinnamon from Sri Lanka, peri-peri from Portugal," says Avni. Often consumers want their spices to be blended in different ways and leave

specific instructions.

The products at Foodhall are freshly ground and stone pounded using stone mills imported for that purpose. Some spices like turmeric are even hand pounded. In India, ASA sources its spices from Kerala, Karnataka, Rajasthan, Punjab, Uttar Pradesh, Himachal Pradesh, and Kashmir, among other states.

More Players

According to industry experts, brands that offer a combination of organic sourcing and traditional techniques of stone pounding or iron pounding are increasingly getting more shelf space in fine food outlets. "We have seen a growth of 40 to 45 per cent in the organic and iron pounded spice segment for our company over the last few years. Though it is over a small base, the market for this product is growing," says Sanjeev Azad, Director, Operations, Conscious Food.

Set up in the early 1990s, Conscious Food ventured into the organic food business in 2004. It also co-brands with Fabindia and sells its products through premium chains such as Nature's Basket. Conscious Food prides itself on the freshness of its products, and claims it is the country's first organic foods retailer. Its products are delivered within a week from the time the spices are procured and ground. Using tie-ups, this Mumbai-based company has reached all major metros.

Why are people drawn to hand pounded and iron pounded spices? Azad says the heat release in these processes is much lower (than the pulverising process used to make most spices), which leads to higher yield after grinding. The flavours are also more robust as the spices retain their texture, natural oils and aromas.

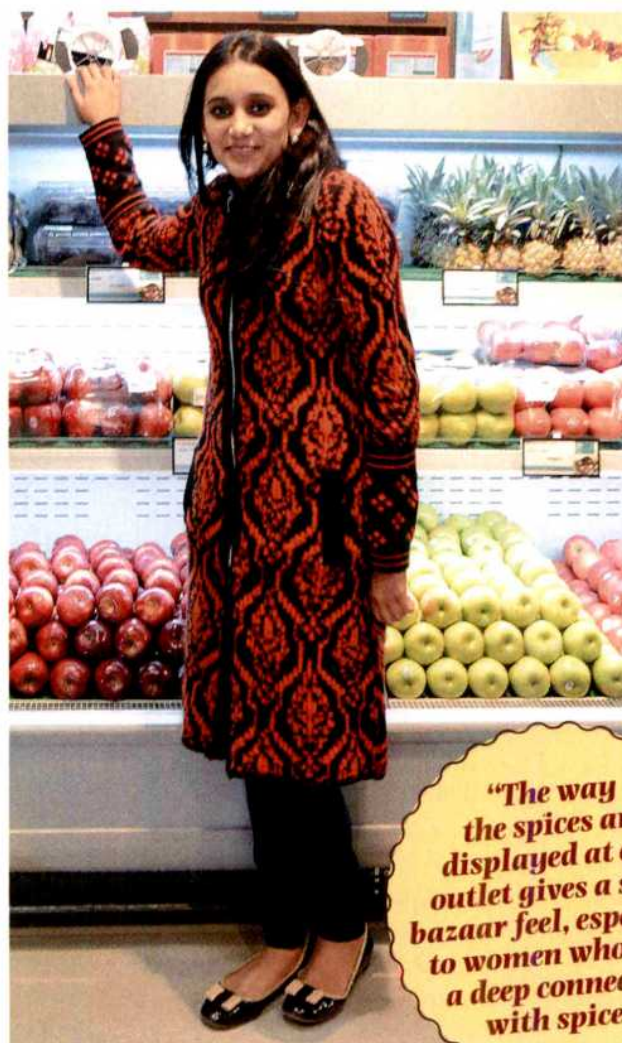
Then, there is Fabindia, more than 50 years old, better known for its ethnic wear. Like Conscious Food, it forayed into organic foods and spices in 2004. It has been witnessing steady growth at its 171 outlets for these kind of products across the country.

"Our food range in 2004 was 70 products. Today it has grown to more than 450, which includes a wide assortment of spices, herbs and seasonings," says Ashima Agarwal, Category Head, Organic Foods, Fabindia.

Noticing the increasing popularity of the traditional basil (*tulsi*) herb, Fabindia introduced an exclusive range of *tulsi* teas which it blends with other traditional ingredients such as *mulethi* and ginger. Its turmeric powder and other spice mixes are pounded by hand. It uses traditional recipes for its pickles and stores them in *martbaans* (earthen vessels).

Customers today are more conscious of what they consume and are open to healthier alternatives, says a Fabindia spokesperson. Fabindia sources its foods from authentic organic food farms across the country as well as regions known for specialty of their produce.

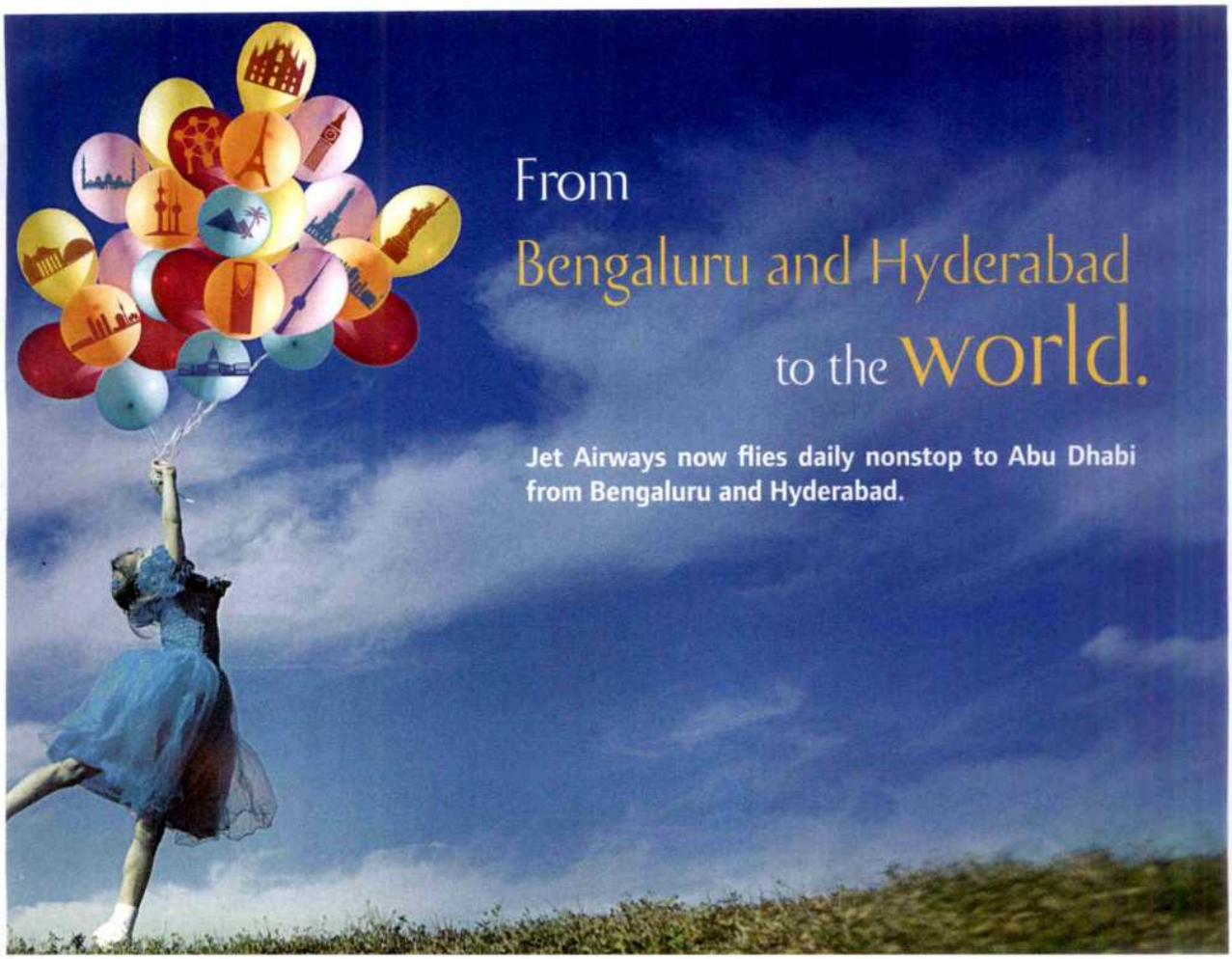
The revival of spices prepared in traditional ways is not a mass-market phenomenon yet. It is mainly confined to niche buyers in the metros, but as Amery sums up: "It is about going on a journey with our customers, exploring new and exciting ways of using spices, and also ways in which these can be incorporated into our lives." ◆



"The way the spices are displayed at our outlet gives a spice bazaar feel, especially to women who have a deep connection with spices"

Behind it all: Avni Biyani at the Foodhall Gurgaon outlet

@manishasinghal



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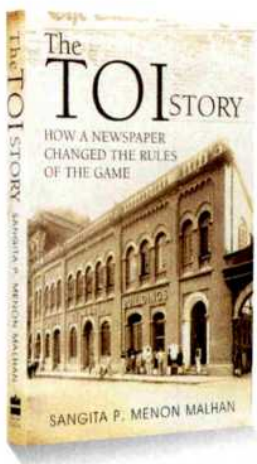
Transforming the times

An account of the change at *The Times of India* which changed Indian journalism too



The TOI Story
By Sangita P. Menon Malhan
HarperCollins
Pages: 276; Price: ₹350

He is a visionary. He wanted to cater to an entirely new readership – Jug Suraiya

He destroyed the role of journalism in India. He realised the trivialisation of information was very seductive, very sexy... Commercially, he was the best thing that could have happened... But he destroyed an institution and made it a great, big factory – Pritish Nandy

Between them, the differing views of two of the most high profile ex-employees of *The Times of India* encompass the gamut of divergent opinion about Samir Jain and the revolutionary changes he wrought in the newspaper. Jain transformed not only the *Times*, but, as other media barons rushed to emulate him, the times as well. Though calling itself *The TOI Story*, Sangita P. Menon Malhan's book concentrates almost entirely on the change, relegating the rest of the *TOI*'s 175-year-old history to one and a half cursory opening chapters.

That history is dramatic in its own way – the *TOI*'s launch by a consortium of 11 British companies, two barristers and a doctor to publish strictly business news, Ramakrishna Dalmia buying the paper from the British owners, the passing of control from Dalmia to his son-in-law Shanti Prasad Jain – but it has been told before. What Malhan sets down is fresh and delicious, a tale full of drama and intrigue, with an incredibly complex protagonist at the centre. In 1985, around the time Samir Jain began asserting himself, the *TOI* had a circulation of a little over 560,000 with three editions; by March 2012 this had risen to 4.5 million with 14 editions. Once just a newspaper, with a few satellite publications, the *TOI* has been changed into a wildly successful brand and a media empire.

Malhan expertly sketches the context and background to Jain's decisive interventions – the government's increasing influence on the paper, the allegations of impropriety against the owners, the seven 'zero years' in which all the family businesses of the Jains, barring the paper, seemed to be declining and above all, the disdain with which senior *TOI* journalists treated Samir Jain and which may well have conditioned his ruthless response. As he took charge, any senior functionary who did not share his vision had to go, while scouts went around cherry picking fresh journalistic and marketing talent from across the country. From the *TOI*, Jain moved on to overhauling *The Economic Times* and *Navbharat Times* and thereafter the magazines too – all the unprofitable ones were shut down while *Femina* and *Filmfare* underwent major makeovers to continue.

Malhan, who herself earlier worked with the *TOI*, has talked to numerous former and current employees of the paper to put together her story. She sums up Jain's approach succinctly in her prologue: "The break that Bennett, Coleman and Co (the company that owns the *TOI*) triggered was built around the idea that the media was also a business like any other. Like any business it had to identify who its customers were, how its products and services would bring value to them and how much the business would make in return. As in any other business, it would have to compete with other companies, create its own value proposition and safeguard its bottom line." This outlines the core of Jain's approach.

The success rate of *TOI*'s initiatives in the past three decades has been uncanny. It can be attributed, says Malhan, "to its guiding mantra – stay relevant and profitable". ◆

ANILESH S. MAHAJAN

The success rate of TOI's initiatives in the past three decades has been uncanny and can be attributed, as Malhan puts it, "to its guiding mantra - stay relevant and profitable"

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(L to R) **Jaijit Bhattacharya**, Partner, Infrastructure and Government Services, KPMG, India; **Leslie D'Monte**, Technology Editor, Mint (Moderator); **J Satyanarayana**, Secretary, Department of Electronics and Information Technology

ynote address by **J Satyanarayana**, Secretary, partment of Electronics and Information Technology

(L to R) **Jaideep Mehta**, VP and Country General Manager, International Data Corporation (IDC) India; **Vijay Sethi**, VP, IT Systems & HR, Hero MotoCorp Ltd.; **Dr Jai Menon**, Group Director, Technology, HT Media Ltd. (Moderator); **Varun Sood**, CIO, Fortis Healthcare India Ltd.; **Tejpreet Singh Chopra**, President & CEO, Bharat Light & Power Pvt. Ltd.; **Vamsicharan Mudiam**, Country Manager – Cloud Solutions, IBM India South Asia

h industry going through the digital transformation, concepts like Big data, Cloud, Social and Mobility are transforming the way business are done bally. To explore and understand the impact of future technologies on business and its decision making, Mint brought together a panel of industry berts and thought leaders at the **Mint Enterprise Technology Summit** held at Hyatt Regency, Delhi on **February 26, 2014.**

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Description: Marketing books of the publication house in coaching classes, colleges and book stores.

2COMS Consulting Private Limited
Sales Executive
Location: Hyderabad / Secunderabad
Job ID: 14768922
Description: Door to door sales demonstration of Home appliances Refrigerators, washing machines, conditioners, water purifiers, UPS Annual maintenance contracts.

Teradata
PS Partner
Location: Mumbai
Job ID: 13684429
Description: The Partner generally has a dual reporting relationship to both a more senior Partner as well as to Sales.

Yuchra
Marketing Manager
Location: Delhi
Job ID: 14795096
Description: To develop, ow implement the Marketing Plan for Inc South Asia.

Leapahead Global Manpower Solutions
Sales Exec/ Sales Representative
Location: Delhi
Job ID: 14650767
Description: To Deliver high quality results to our clients with passion and commitment.

NCR Corporation India Pvt. Ltd.
Key Accounts Manager - BFSI only
Location: Bengaluru / Bangalore
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Description: Understanding the di industries and articulating the busi value of the self service solution business users.

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Description: Manages activities of revenue team to ensure that revenue is recognized in accordance with Corporate policies and SEC standards.

Kelly Services India Private Limited
Financial Analyst-Financial Modelling
Location: Mumbai
Job ID: 14772250
Description: Should be able to manage supply chain functions for designated manufacturing locations.

CareerNet Technologies Private Limited
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Location: Noida
Job ID: 14783429
Description: Candidates with 8-12 years of overall experience and should also have experience in dealing with banks and RBI rules regarding transacting global business.

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Chartered Accountant (CPA)
Location: Kolkata
Job ID: 14755425
Description: CA required with Hands on experience on Finalisation of Accounts, Well versed with Taxation & other statutory compliances, Banking, ERP environment.

Ness Technologies India Private Limited
Manager / Sr. Manager Finance
Location: Bengaluru / Bangalore
Job ID: 14715183
Description: Heading Corporate Finance Function for Bangalore region.

Replicon
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Location: Bengaluru / Bangalore
Job ID: 14518885
Description: Looking for self motivated, highly organized and energetic individual.

EXL
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Location: Bengaluru / Bangalore
Job ID: 14682168
Description: Strong knowledge of accounting principles and General Accounting concepts(GL).

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Brotin Banerjee
CEO & MD, Tata Housing

Building a Reputation

Brotin Banerjee became CEO and Managing Director of Tata Housing in 2008, when he was only 34. He was one of the youngest MDs in the history of the Tata Group. Six years later, the Tatas' faith in him has been vindicated. Tata Housing has been growing at a compounded annual rate of about 80 per cent for six years. The company also recently ventured into the senior living segment with 12 retirement home projects across eight cities. It plans to invest ₹1,200 crore by 2018. "We pioneered the low-cost affordable housing concept in India. Now with senior living projects, we will be offering unique products on a pan-India basis," says Banerjee.

MANU KAUSHIK

SHEKHAR GHOSH/www.indiatodayimages.com

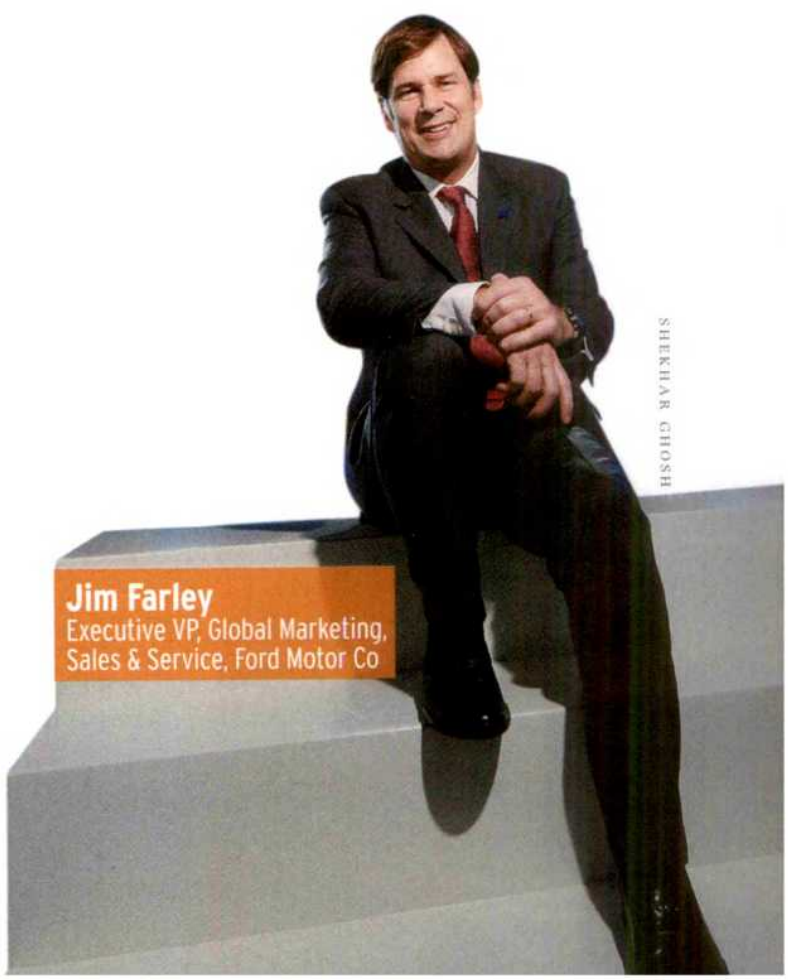
Rajeev Vasudeva
Global CEO, Egon Zehnder

ADITYA KAPOOR/WWW.INDIATODAYIMAGES.COM

Raja of Résumés

Rajeev Vasudeva vets résumés for a living. His own is impeccable: BA in economics from St. Stephen's College, Delhi, a law degree from Delhi University, and an MBA from University of Michigan, US. Vasudeva, also a Fellow of the Institute of Chartered Accountants of India, was recently appointed Global CEO of executive search and talent management giant Egon Zehnder. He, along with a colleague, Sanjiv Sachar, is credited with spotting the potential of leadership search in the late 1980s. Later, the two merged their consulting entity, Sachar Vasudeva & Associates, with Egon Zehnder. Vasudeva feels the war for talent is getting intense. And as that happens, he will be even more sought-after than he is now.

SHAMNI PANDE



Jim Farley
Executive VP, Global Marketing, Sales & Service, Ford Motor Co

SHEKHAR GHOSH

Uniform Strategy

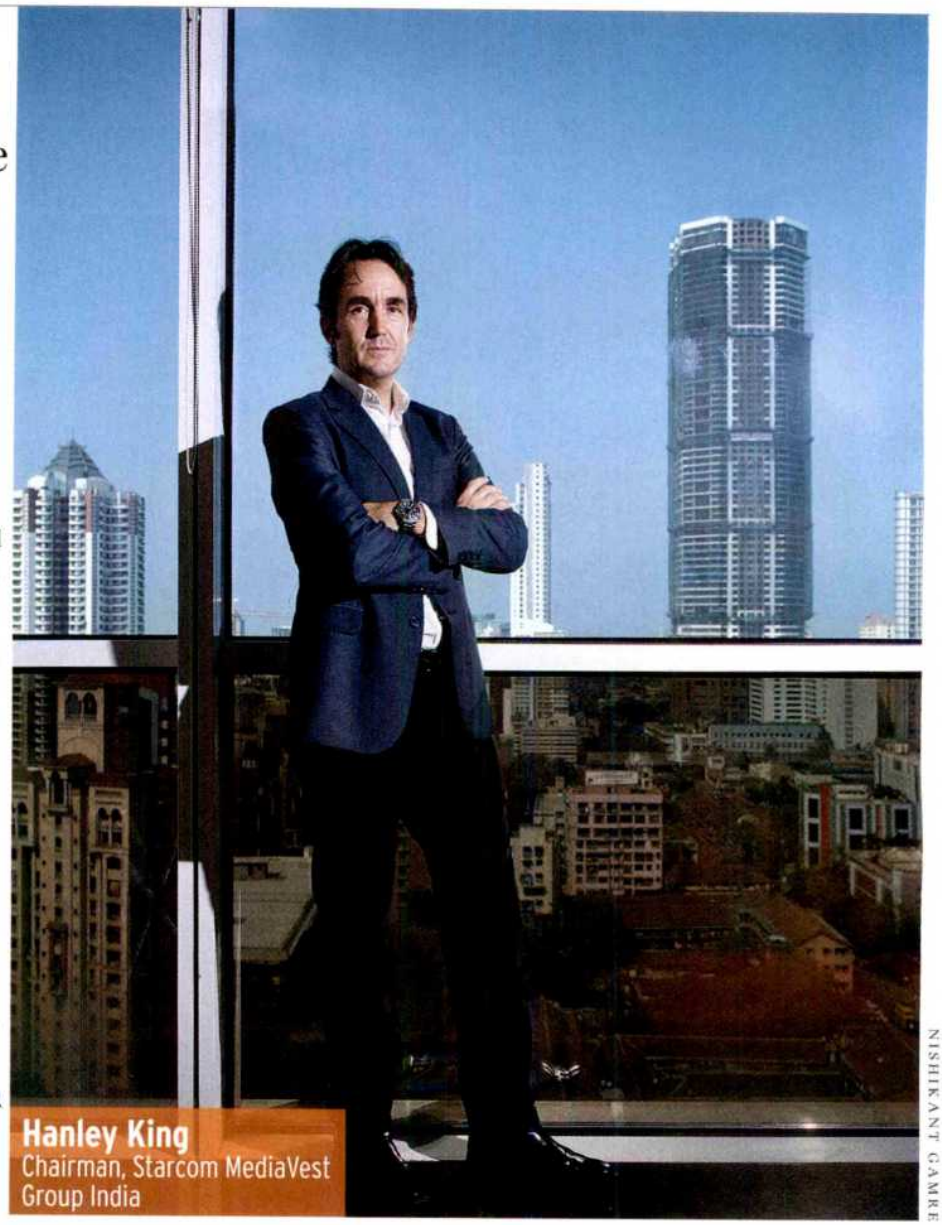
US carmaker Ford Motor Co's strategy – called One Ford – is the same for every country: one team, one plan and one goal. And India is no different. **Jim Farley**, Executive Vice President of Global Marketing, Sales and Service at Ford, says the strategy has helped the company sell global B-segment cars in India. Had it been different for India, EcoSport, the compact SUV, would not have been brought here. Ford recently unveiled the Ford Figo Concept sub-four-metre sedan at the Auto Expo 2014, which is again a global car for India. "The Concept (Figo) is positioned to compete at the heart of the Indian market," says Farley.

SUNNY SEN

Keen to Raise the Score

Hanley King is excited about the upcoming Indian Premier League tournament. King, who was recently appointed Chairman of the Publicis-owned media company, Starcom MediaVest Group India, says he is looking forward to watching an IPL match this season. King's goal for his group is to make the Indian arm one of the top five media planning and buying agencies in the world. "Starcom is a massive powerhouse in many countries, but we are not that big in India. In fact, some of the global mandates such as the Kelloggs and P&G, which are our clients in other countries, are with our competitors in India," he says.

AJITA SHASHIDHAR



Hanley King
Chairman, Starcom MediaVest Group India

NISHIKANT GAMRE

Vijay Chandru
Chairman & CEO, Strand Life Sciences

Rare Initiative

Vijay Chandru, Co-founder, Chairman and CEO of Strand Life Sciences, launched the Organisation for Rare Diseases recently in Delhi. Chandru is one of the founding members of the group and estimates there are 70 million people in India with rare diseases who require help. "There are 7,000 rare diseases. About 80 per cent of them are genetic diseases. This is a big national problem," he says. In other countries, such organisations have had very positive effects, helping patients and their families. Chandru hopes his organisation can contribute through advocacy, awareness and counselling among other things.

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François Enaud
Group CEO, Steria

A Wider Indian Door

François Enaud, Group CEO of Steria, a France-based provider of IT-enabled business services, has plenty of plans for his company's Indian arm. Steria's headcount in India is only second to that in its France office. Enaud says operations in India will increase in coming days as European governments are slowly opening up to the idea of outsourcing. And to achieve this, Enaud wants to bring its intellectual property to India, being developed in its offices in Europe. The company also wants to bring in improved technology in the form of 'remote' management of its outsourcing clients. With this, plus recent contracts worth €1 billion and more from EU governments, Steria's plans are backed by solid annuity and will surely open new doors here.

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DAIZO ITO
President, Panasonic India

My first role model
Kirk Nakamura, former Chairman, Panasonic Corporation. He taught me the importance of adapting to the local environment and empowering people

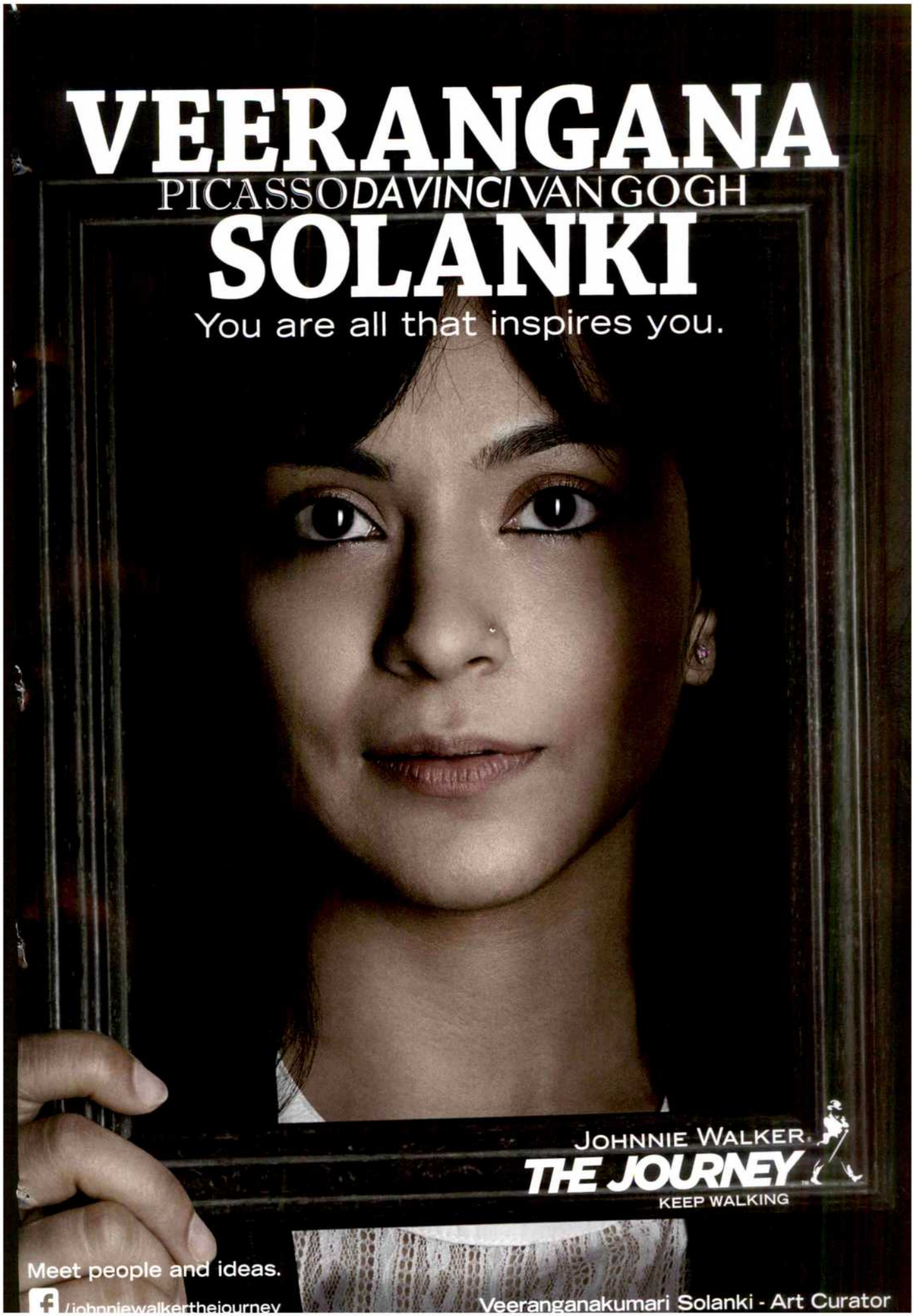
My first job
As a sales executive for fax machines with Panasonic in Europe

My first boss
Nakajima, who taught me the art of effective business communication, connecting with customers and maintaining lifelong relationships

My first promotion
When I was 28, I was promoted to sales and marketing supervisor. I led a two-member team, which became my first leadership experience

My first disappointment
Failure to get a tender for fax machines in Europe because of my inadequate understanding of client requirements. It taught me the importance of knowing the customer and taking speedy decisions

Photo by Shekhar Ghosh
As told to Goutam Das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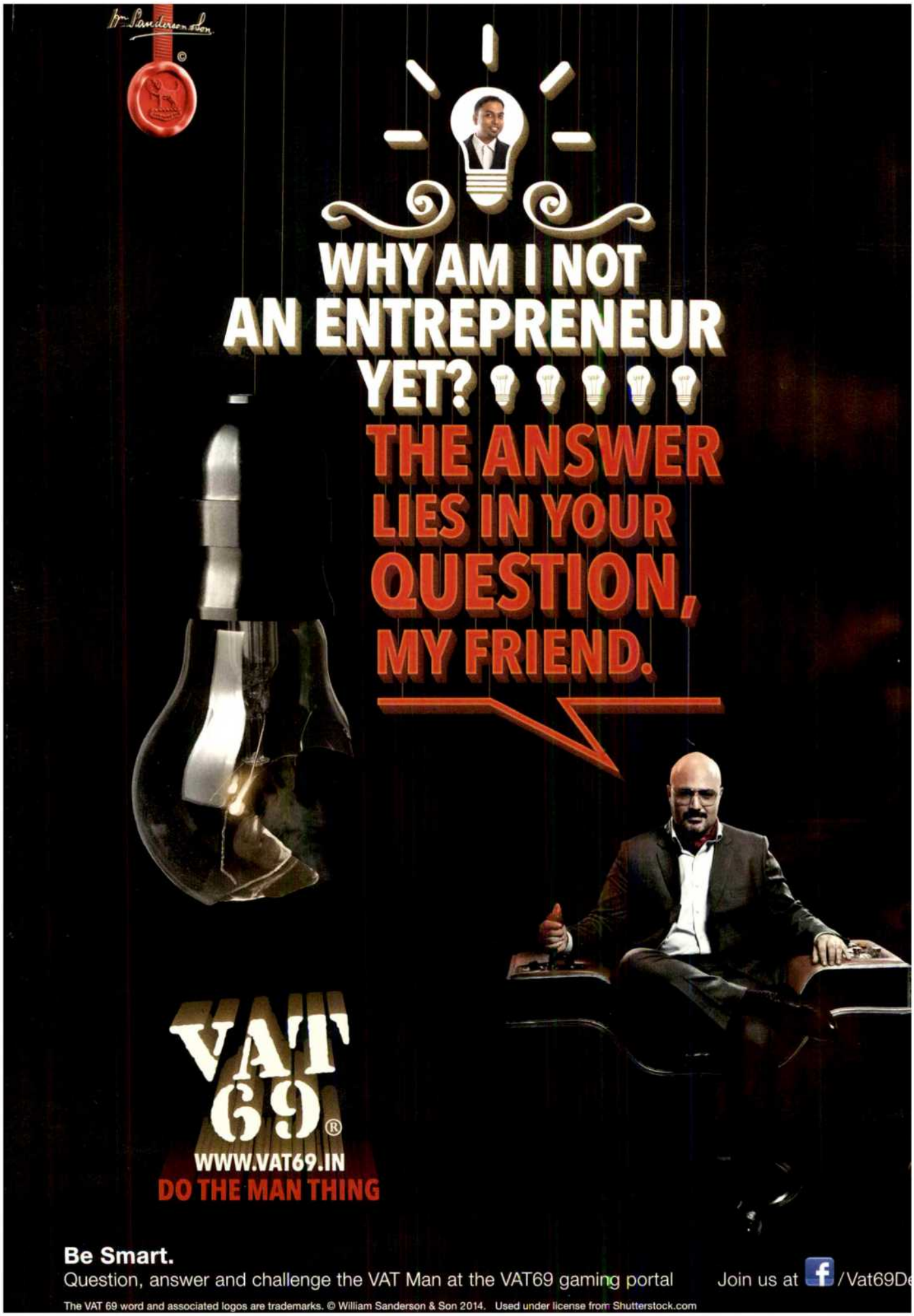
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FROM THE MANAGING EDITOR

Hungry and Foolish Ind-ennials

Psychology research shows that most of us go through a few identity crises in our lives but are pretty much set on our life's paths early in our years – typically, pre-teen and teenage years. Unless there are truly wrenching events that slam into us later in life. If you use 1991 as a marker to look at Indians living today, there is a clear distinction between those who were born and grew up before then and those after, even after discounting for normal inter-generational changes. Growing up in India and coming into being, so to say, in the 1990s, a decade of relative prosperity for most middle class and urban Indians with the GDP expanding at 6.6 per cent, was different from earlier; so, too, were the 2001 to 2010 years. A youngster who was 12 in 1991 and getting ready to step into mind-forming teen years would today be 35. Someone just getting into school then would be about 28 now and someone 17, 40. It is this generation of Indians – let's call them Ind-ennials – that is running riot in the start-ups space in India. "The difference between earlier and now," said a 42-year-old friend and owner of a small but very profitable logistics business, "is that youngsters today know, no matter what, they will *not* starve. There's always someone ... a friend, a relative ... that they can fall back upon. That's a big thing when you don't know where or when your next PO is coming from." (PO, as in purchase order.) The start-ups we are talking about, of course, are only those with a conventional corporate structure and not, say, unorganised micro-enterprises engaged in wheelcart trading or running a two-man plumbing outfit. Professor G. Sabarinathan of Indian Institute of Management, Bangalore, has a synthesised view on why more and more young people are bootstrapping businesses. "There is an X factor type appeal associated with starting up successfully," he told me. Alongside, he added, there is a higher tolerance of risk among both entrepreneurs and investors. "[Today] entrepreneurs start up based on strong hunches as opposed to deep research. As they evolve they will learn that risk tolerance is good if tempered by informed optimism."

At *Business Today*, we celebrate start-ups every year with a special issue – like the one you are holding in your hands. This year, we have a set of 16 start-ups varied both in the spaces they operate in and the business models they leverage for most value. In a package curated and put together by Senior Associate Editor Goutam Das and Assistant Editor Taslima Khan, and guided by Deputy Editor Alokesh Bhattacharyya, we have start-ups peddling software products, specialising in logistics, weeding out inefficiencies in SME supply chains, event bookings and tea retailing, and, yes, making toys. Turn to page 58 to enjoy our work, which resonates louder with interviews, videos, comic strips and slideshows online at *www.businesstoday.in/startups-2014*. The entrepreneurial evolution we are living through is big for India. For, more than anything else, it is the millions of start-ups and small businesses in the country that will aggregate into economic change. More power to the Hungry and Foolish Ind-ennials.

I'd like to draw your attention to a column series we are starting on the need for mindfulness in business. Leadership researchers and practitioners have been telling us for some time now – 5,000 years if you count Buddha – that the first step in making a leader is: knowing thyself. Mindfulness is not some esoteric concept that needs rigorous practice in the Himalayas. It is just being aware of and living every moment of our lives. As trainer Santhosh Babu says on page 52, "All you need to know yourself is to Be." Babu will continue his column online at *www.businesstoday.in/buddhaintheboardroom*. I'd recommend you follow @BT_India on Twitter to be alerted of his columns (and other content at *Business Today*). All the best in your quest to experience awareness.

Josey Puliyenthuruthel

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Re: Letters to the Editor

Disruptors

This refers to your cover story *The New Nano Promise* (March 30). What is common between Tata's Nano, Reliance Infocom (now Reliance Communications), and the brokerage industry? It is a single word: disruption. All three created disruption. Nano was marketed as the world's cheapest car, but not as a car which came out with innovative ideas on cost or safety standards. Another common feature of these three is their behaviour – from launch to execution – where some technical issues may have been overlooked. So in the long term it should turn out to be better, because having come from the House of Tatas is no ordinary thing.

Raman Khazanchi, *Mumbai*

In for the Long Haul

The feature on air costa airline (*Ambitious Fledgling*, March 30) was interesting. With a big-ticket order of 50 aircraft, the start-up airline is in it for the long haul. But if Brazil can have such a big aircraft manufacturer like Embraer, why is India lagging behind?

Jacob Sahayam, *Thiruvananthapuram*

Correction

The author of the prize winning response to the case study on Daikin air-conditioners (March 16, Page 114), **Deepak George**, is an employee of Brakes India. He was incorrectly described as a student of IIM, Kozhikode.

We regret the error.

Send all your comments to: editor.bt@intoday.com

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RBI doesn't have a magic wand to help United Bank, says K.C. Chakrabarty

It is because of the western influence on the economic system, where everything runs on the demand and supply phenomena.

- Priyank Nema

The Bank's external and internal auditors, as well as RBI inspectors have many issues to explain.

- Navroze Dubash

The river-linking project is a recipe for disaster, says Vandana Shiva

Every concept is bad, if it is not properly executed as planned.

- Noren Das

Seven "Ps", Not Four

The feature on Rahul Gandhi (*Lost in Communication*, March 30) was well presented. However, in today's business scenario, the age-old marketing formula of "Four Ps" (Product, Promotion, Place and Price) has been replaced by "Seven Ps" (with three more Ps: People, Process and Physical evidence). "People" should pertain to Rahul's staff. It is felt that they are untrained and hardly empowered to take innovative steps – necessary for deep market penetration. "Process" stands for the ways and means adopted to reach customers (in this case, the electorate). Social media today is an important part of the process, but sadly, Rahul is not present there. "Physical evidence" refers to concrete deliverables of promised benefits to the common man who votes a party to power. Good governance, availability of necessary infrastructural facilities, inflation control, jobs creation and a secular social fabric are some of these. It remains to be seen whether Rahul successfully markets his party or not. Mere "celebrity" endorsement through Rahul's lip-service won't help his party and win the poll race, since the BJP appears to be a strong competitor. Let us see which way the cookie crumbles. – **J.S. Broca**, *New Delhi*

J.S. Broca wins gift vouchers of ₹1,000 for the best letter of this fortnight

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Phone: (0120) 2479900 from Delhi & Faridabad; (0120) 2479900 (Monday-Friday; 10 am-6 pm) from Rest of India; Toll free no. 1800 1800 100 (from BSNL/ MTNL lines); Fax: (0120) 4078080
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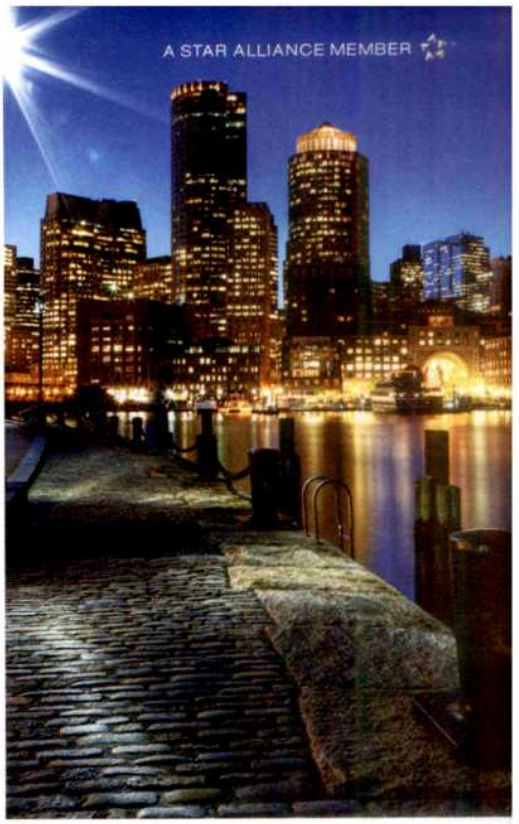

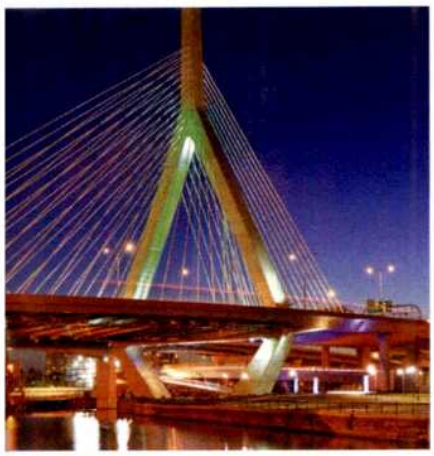

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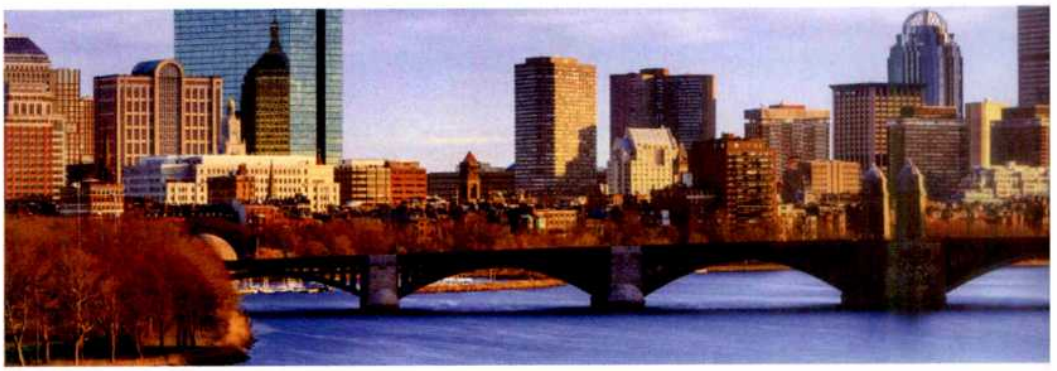

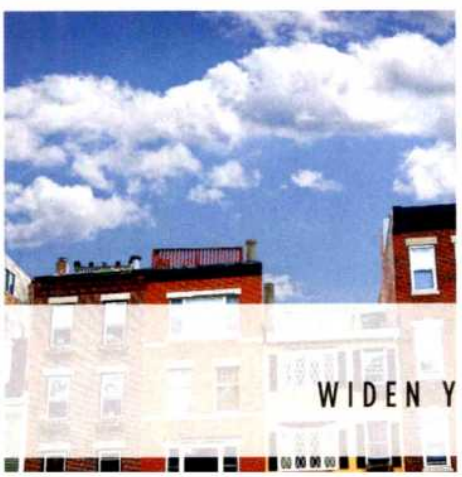

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PHOTOGRAPH BY VIVAN MEHRA

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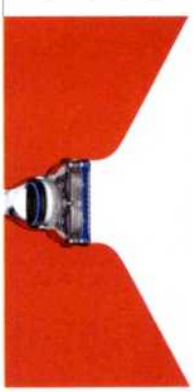

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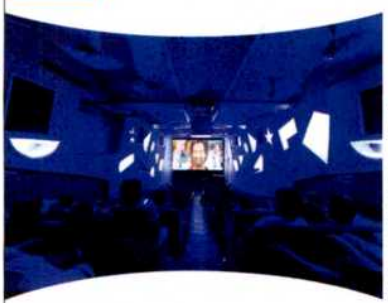

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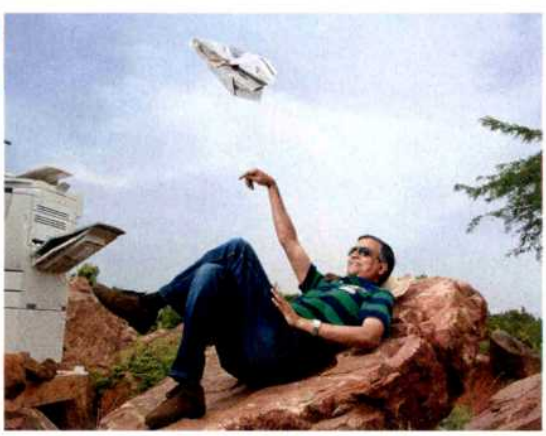

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- Video interviews with the founders of eight of the companies
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All this and more at businesstoday.in/startups-2014

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Curious Exit
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Datsun: Going for Alto?
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Diwali for Chopper Services
Thanks to the forthcoming general election, helicopter operators are raking it in.
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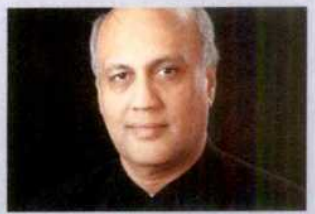

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"Indian corporate leaders tend to lean to the dark side"
Rhea Duttagupta, Management consultant and author, talks to **Arpita Mukherjee.**
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GETTY IMAGES

Russian Raj: By annexing Crimea, Russian President Vladimir Putin has esclated tensions with the West. Apart from suspension from the G8 club of nations, Russia faces economic sanctions. The United Nations Security Council has declared the Crimean referendum to secede from Ukraine invalid. India has made it clear that it will not support any unilateral measures against Russia

Corporate

Infosys, India's second-largest IT services provider based in Bangalore, warned of a lower revenue outlook and indicated that it would get off to a tough start in the next financial year. While the software lobby body **Nasscom** forecast an industry growth rate of 13 to 15 per cent in the next financial year, Infosys's Executive Chairman **N.R. Narayana Murthy** indicated at an investors' meet that the turnaround at the company may take long. Soon afterwards, Mumbai-based **Tata Consultancy Services**, the country's largest software exporter, too, warned about a weaker-than-expected fourth quarter. TCS and Infosys shares slid after the forecast.

India has allowed five domestic private-sector banks to import gold. It could be a significant step towards easing tough curbs imposed on the metal last year to cut the country's trade deficit, reports Reuters. It could boost supplies and reduce premiums for the metal in the second-biggest consumer of gold after China.

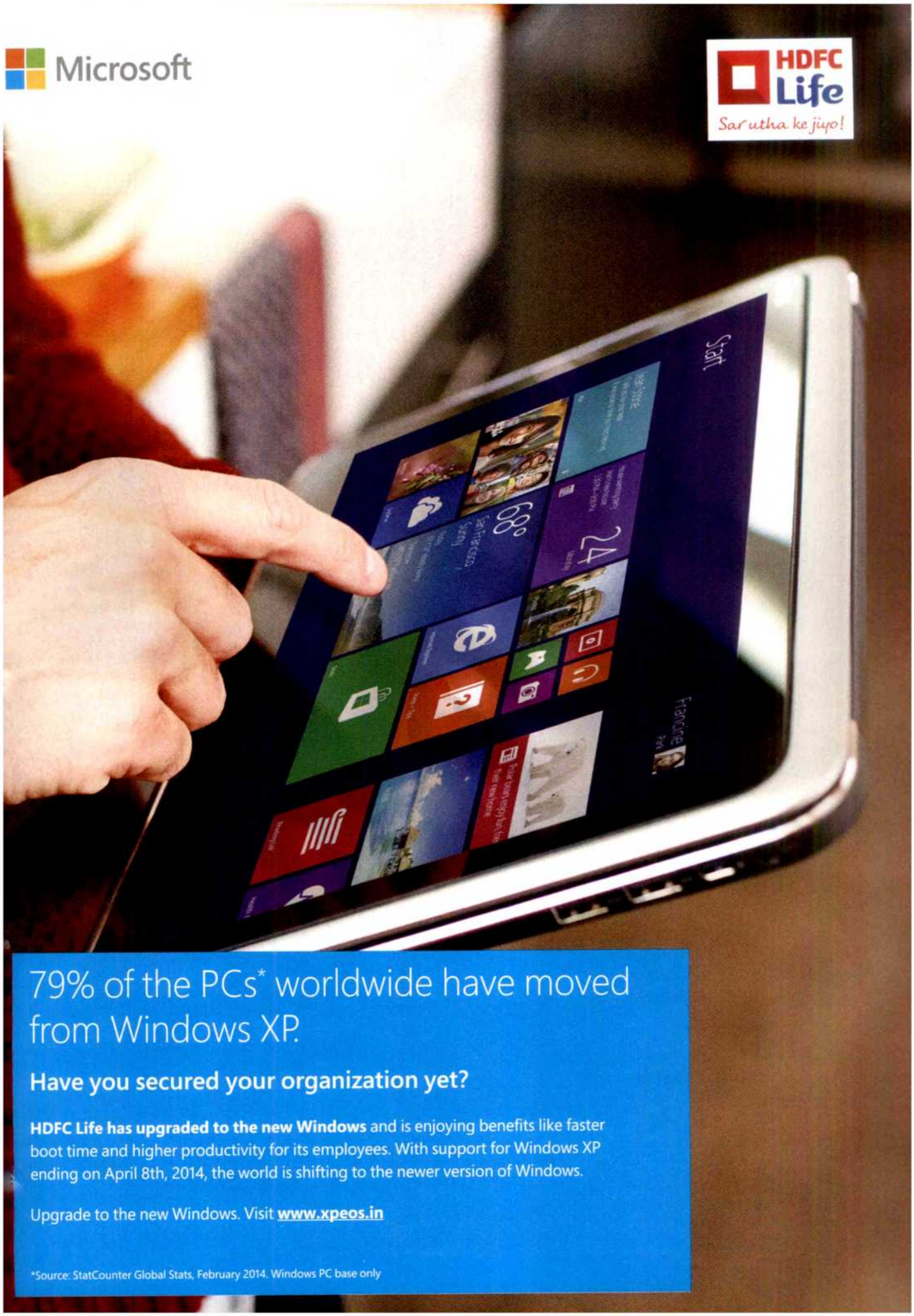
The Election Commission has allowed the Reserve Bank of India to go ahead with issuing new banking licences, according to Bloomberg. The apex bank is currently in the process of issuing licences to a third set of private banks in Asia's third-largest economy, where more than half of the adult population does not have access to formal financial services.

Boeing and **Airbus** forecast an increase in demand for new aircraft in India over the next two decades. According to Boeing, India will need 1,600 new aircraft, valued at $205 billion in the next 20 years. Airbus predicts that India will require 1,290 new passenger aircraft, valued at $190 billion, by 2032. India's scheduled airlines carried 61.42 million passengers in 2013, compared with 58.81 million in 2012 and 60.66 million in 2011.

The CBI has registered an enquiry against former SEBI chief **C.B. Bhave** and former member **K.M. Abraham** for alleged irregularities in giving recognition to the MCX-SX stock exchange in 2008 and renewing it again in 2009 and 2010.

Google has news that will interest prospective smartwatch buyers. The search giant said smartwatches based on its Android mobile software, called Android Wear, will be available later this year. Google will tie up with Samsung, LG and Intel, as well as fashion company Fossil Group, to develop the new line of watches. Clearly, wearable technology is the next big thing.

India ranks fourth on the list of nations sending out spam e-mail with content such as advertisements for pharma products, according to a Microsoft Corp report. The US tops the list, having sent out the highest amount of botnet spam from January to June, 2013. It was followed by China, the UK and India.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*Source: StatCounter Global Stats, February 2014. Windows PC base only

Economy

US investment bank **Goldman Sachs** has upgraded its outlook on Indian markets as it expects positive impact of the election cycle.

India's economy may grow 4.7 per cent in the current financial year, lower than the official estimate of 4.9 per cent, Fitch Ratings said. The global rating agency expects the economy to pick up in the next two financial years. The latter argument is backed by the chairman of the Prime Minister's Economic Advisory Council, **C. Rangarajan**, who said the economy could go back to its earlier period of robust growth of eight per cent or more in the next three years. Global ratings agency **Standard & Poor's** said increasing focus by India Inc on lowering debt is likely to improve their credit profiles.

Singapore (1.1 million Indian tourists in 2012), Thailand (one million), the United Arab Emirates (0.98 million) and Malaysia (0.82 million) emerged as the **preferred holiday hotspots** for Indians. The total figure is expected to increase to 1.93 million by 2017, according to the latest Euromonitor International report. Singapore tops in terms of expenditure, with Indian tourists splurging as much as ₹5,400 crore in the city state. This was followed by the US and UAE with ₹5,000 crore each.

$29.34 bn

Total outward foreign direct investment by domestic companies between April and January of 2013/14, which has seen some signs of recovery, according to a Care Ratings report.

264

The number of new companies being set up every day on average during January 2014. Most of them are registered in Mumbai. India had 1.38 million registered companies at the end of January. The count of active ones was 0.94 million. As many as 140,000 companies among the active ones were incorporated within the preceding 18 months, according to the corporate affairs ministry.

Markets

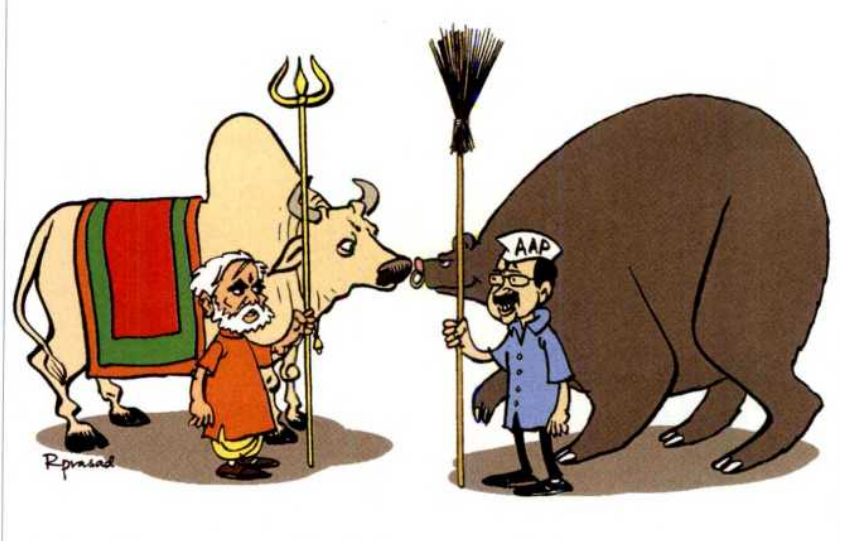
Twitter-like messaging service **Weibo Corp** has filed to raise $500 million via a US initial public offering. **Alibaba**, which owns a stake in Weibo, is expected to raise about $15 billion in New York this year, in the highest-profile Internet IPO since Facebook's in 2012.

Bharti Airtel has raised ₹2,453.2 crore (350 million Swiss francs) by selling six-year bonds at a coupon rate of three per cent and maturing in 2020. This is the largest ever bond offering by an Indian company in Swiss francs. **Bharat Petroleum Corp** raised 175 million Swiss francs by selling five-year bonds at a 2.98 per cent coupon rate in February.

Coming Up

- Indian Oil Corp plans to invest ₹7,650 crore in setting up a petrochemical complex at its almost-complete Paradip refinery in Odisha in three to four years. The company board is set to consider the setting up of a 700,000-tonne per annum polypropylene plant at an estimated cost of ₹3,150 crore.
- Global chief information officers are gathering in Bangalore in April to meet Indian startups at an event called InTech50. Watchout for Little Eye Labs-Facebook-type deals in the making.

Kejriwal to fight Modi in Varanasi



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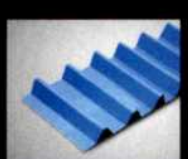

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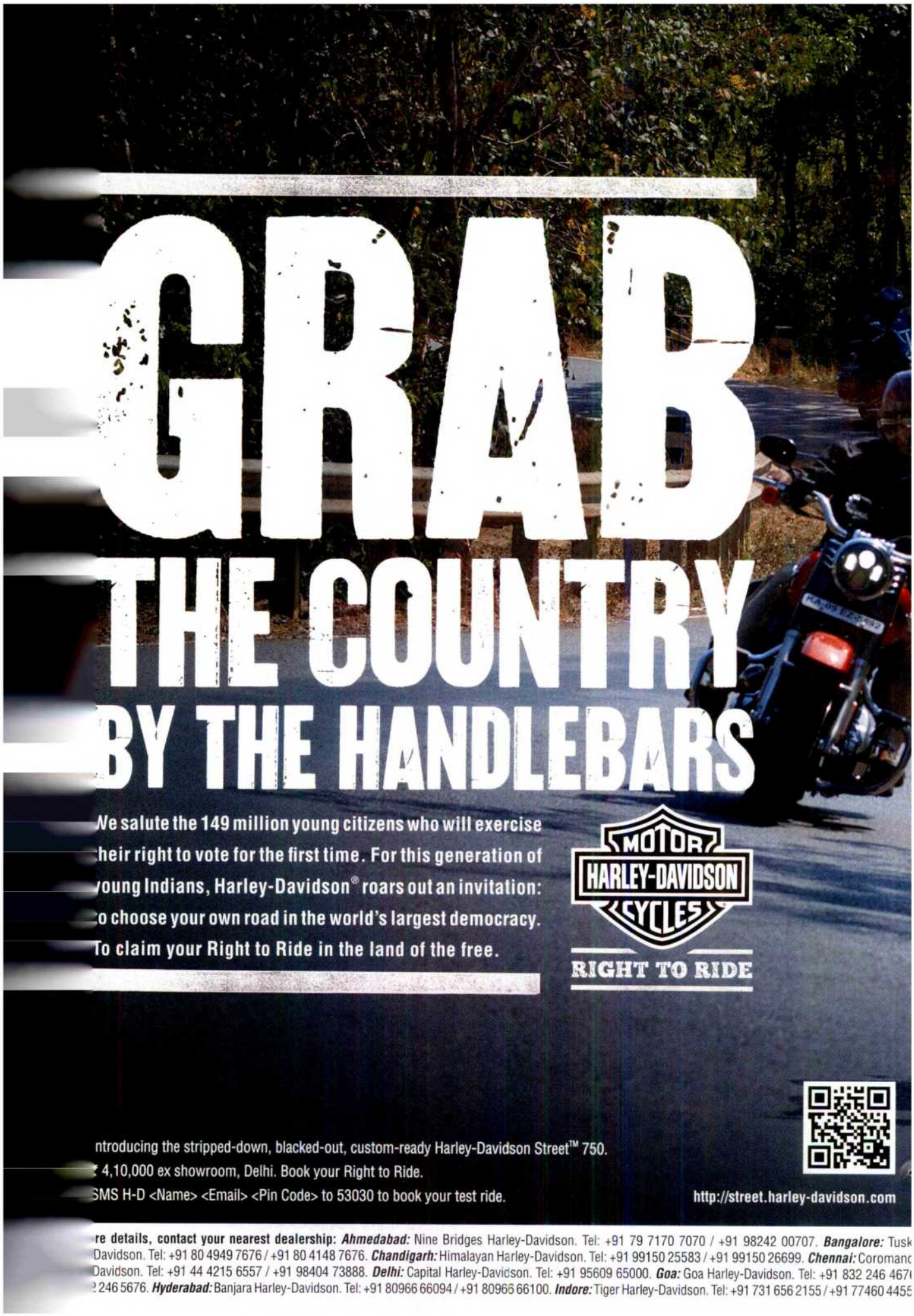
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The Republic

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Tightening the Reins

The Companies Act 2013 will make it tougher for companies to commit fraud. All that the government needs to do now is fully implement it.

By MAHESH NAYAK

AJAY THAKURI

Maruti Suzuki India recently decided to seek approval from its minority shareholders for a factory after institutional investors objected to the automaker's plan. Though Maruti is seeking minority shareholders' nod on its own, it will soon be mandatory for Indian companies to do so in similar cases. Why? The Companies Act 2013 has expanded the scope of related party transactions – such as the one involving Maruti. Why didn't the automaker take such clearance earlier? The government has yet to notify the rules regarding related party transactions. "Had the notification been in place, Maruti would have had to compulsorily take minority shareholders' approval," says Jay Parikh, Partner at law firm Verus, who feels the new law is based on two main themes – corporate governance and protection of minority shareholders. (See also *The Art of Battling Giants*, page 32.)

The new law was passed by Parliament in August last year but hasn't been fully implemented. It has 470 sections. The government has been notifying detailed rules related to these sections in phases. It notified 98 sections in September last year and one more – related to spending by companies on corporate social responsibility initiatives – in February. By the end of March, many other sections are likely to be notified, says a senior official in the Ministry of Corporate Affairs. "We are awaiting the Election Commission's approval to notify some sections. The nod should come soon," says the official, who does not want to be named. The poll panel's approval is required because the model code of conduct is in force for general elections that begin on April 7.

Some key provisions that have yet to be notified relate to acceptance of deposits by companies, appointment of directors and auditors, mismanagement, rehabilitation of sick companies and winding up of companies (see *Unfinished Business*). "Most of the companies aren't prepared for it, but this is the most logical time to do it," says Suhail Nathani, Partner at Economic Law Practice. "The transition from the old regime to the new one will be painful, but this isn't the first time that the government is doing something like this... people will adjust to the new norm."

Industry observers say detailed rules are still being debated for several sections such as related party transactions, class action suits and directors' liability. Rules under Section 186, which doesn't allow companies to give loans to subsidiaries, and a provision on private placement still require clarity. "Rules regarding raising money have become more stringent," says Nathani. In fact, there is no clarity as to whether the new Act will also be applied to companies raising money through debt. If so, it becomes more challenging for companies.

The new law has given additional powers to company secretaries but also made them more liable. For listed companies and any other class of companies as may be prescribed, the law provides for a mandatory requirement to have secretarial audit. Every public company with paid-up share capital more than ₹100 crore will be required to annex an audit report by a company secretary along with a report by the board.

The new law has also bestowed legal status on the Serious Fraud Investigation Office, a probe agency under the Ministry of Corporate Affairs. Similarly, it has notified the provisions to constitute the National Company Law Tribunal (NCLT) and the Appellate Tribunal. "Companies will no more have to go to high courts. The NCLT is expected to help in speedy resolution of matters as well as in issues like winding up of companies," says Parikh of Verus. But the NCLT has not been set up yet.

The new law has also enhanced the scope and extent of the auditor's liability. It provides for compulsory rotation of auditors and audit firms, though the government has yet to notify the related rules. They are subject to penalties, including monetary fines and imprisonment, and can also be debarred. In fraud cases, auditors can even face class action suits that shareholders file. The law has also created the National Financial Reporting Authority to investigate matters involving auditors' misconduct. Parikh, however, feels creating another probe agency won't help much. "Rather than creating multiple agencies that do similar work, it's time India thought of one super-regulator."

Overall, the new law will plug most loopholes of the old regime. It will improve corporate governance, protect the interest of minority shareholders and make it tougher for companies to hide illegal transactions or commit fraud. The government now must fully implement it as early as possible. ◆

ADDITIONAL REPORTING BY MANU KAUSHIK

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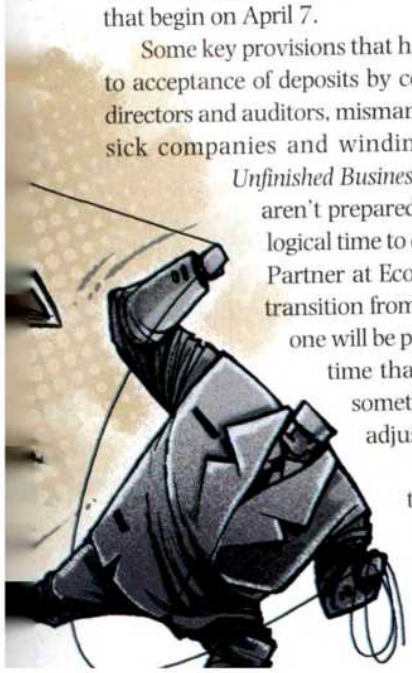
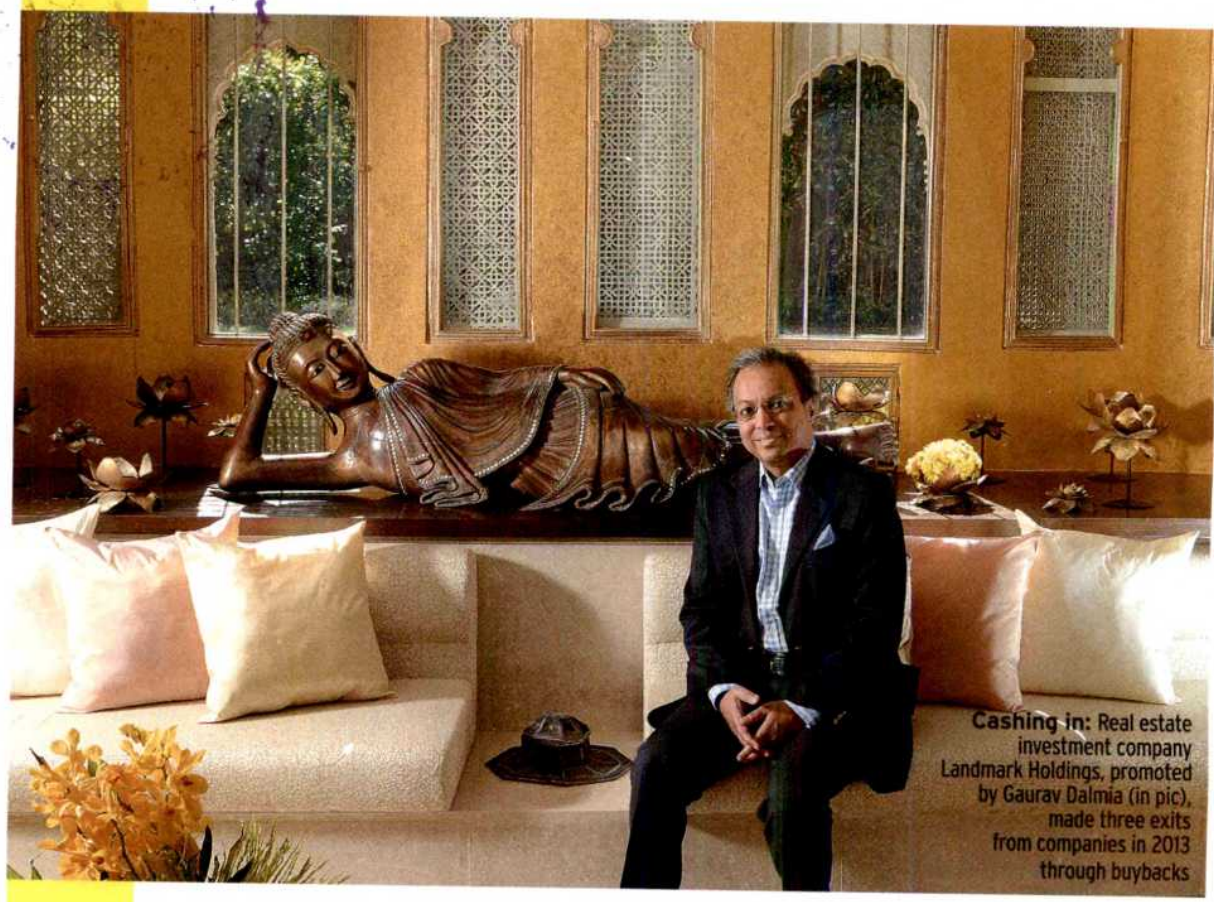
UNFINISHED BUSINESS

Key sections of the Companies Act that have yet to be notified

- Acceptance of deposits by a company
- Audits and auditors
- Appointment and qualification of directors
- Compromises and amalgamations
- Oppression and mismanagement
- Rehabilitation of sick companies
- Winding up of companies





Cashing in: Real estate investment company Landmark Holdings, promoted by Gaurav Dalmia (in pic), made three exits from companies in 2013 through buybacks

SHEKHAR GHOSH

Buyback Bandwagon

With exit options shrinking, buybacks have emerged as the predominant exit route for PE funds. By SARIKA MALHOTRA

BUYBACKS WERE THE SECOND MOST PREFERRED EXIT ROUTE AFTER OPEN MARKET TRANSACTIONS LAST YEAR

Buybacks, by companies or promoters, are fast emerging as a viable option for private equity (PE) funds looking to exit their investments. Exits through buybacks have steadily increased in recent years, from 11 in 2008 to 50 in 2013, according to data by private equity research firm VCCEdge. There were a total of 172 exits last year. Buybacks were the second most preferred exit route after open market transactions (60).

"With limited exits through the capital markets in the last couple of years and investors not getting the right valuation for a strategic sale as they hold minority stakes, promoter buybacks have grown in number," says Bhavin Shah, Partner-Private Equity Group, KPMG India. "In the coming 12 to 24 months, we will witness more buybacks as an exit option," he adds.

Buybacks (through the company or the promoter) are part of the multi-pronged exit strategy of IL&FS Investment Managers Limited (IIML), one of the oldest and largest private equity fund managers in India. "While the last couple of years have seen the IPO markets drying up, we still have managed to generate a healthy exit pipeline. Buybacks have provided 40 per cent of our exits. A higher proportion of such exits have come in the last one to two years," says Archana Hingorani, CEO and Executive Director, IIML. The fund manager has recently exited manufacturing, logistics and consumer services companies through buybacks. It registered one of the biggest buyback exits in India last year by offloading its stake in Bhartiya Urban Infrastructure and Land Development Co. IIML had invested $35.89 million in the real estate company in

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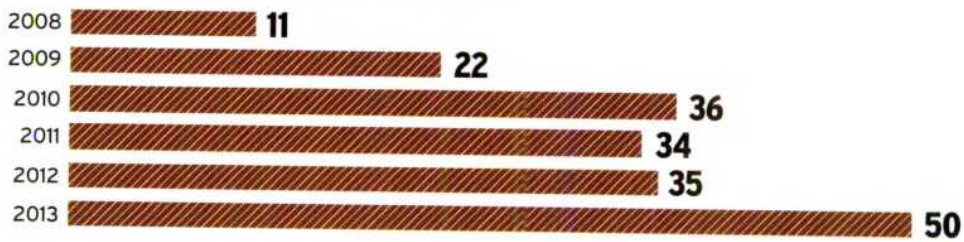
STEADY INCREASE

Buyback exits are becoming popular among PE funds



Source: VCCEdge

2007 and exited the investment last year for $60.02 million through a buyback.

Buyback offers are driven by a permutation of various factors. Anuj Nangpal, MD, Investor Services, DTZ International Property Advisers Pvt Ltd says that project delays can be one of the reasons for a buyback by a company or promoters. Then, most funds have a well-defined life and staying invested with promoters through the entire duration of a project is not an option. Further, the dollar volatility as well as the economic downturn has resulted in a loss of confidence among investors. With exit options to third party players limited, promoters view it as an opportunity for a buyback. "At the time of investment, the fund will look to mitigate its risk by incorporating an exit clause wherein the promoter or investee company will provide an exit through buyback option," says Nangpal. "A fund may incorporate it due to its short life, currency fluctuation, and minimum rate of return. A promoter may incorporate it due to a potential cash rich position of the investee company where he may want to limit the upside of distribution to the investor."

IT HAS ALSO BEEN NOTICED THAT OFTEN INDIAN PROMOTERS LIKE TO HOLD A CONTROLLING STAKE IN A COMPANY AND THEREFORE OPT FOR A BUYBACK

A majority of these buyback exits are happening in real estate. Some 32 of the 50 buyback exits last year were in that sector. Landmark Holdings, a real estate-focused investment company promoted by Gaurav Dalmia, has had three exits last year through buybacks in Shipra Group, ATS Group and Wave Inc. Gaurav Dalmia, Chairman, Landmark Holdings says that buybacks in real estate are a common exit option and can be executed pretty easily. "For the investor it works as a sure shot option for an exit. However, the choice of developer is the key," says Dalmia. "In housing, the real estate company or developer liquidates its stock and that surplus cash can be used to do a buyback. As an exit option, it works well both for the developer and the investor," he adds. Landmark clocked one of the biggest buyback exits in 2013. It exited Wave Hi-Tech City for $56.98 million while the company had invested $25.18 million in the project in 2007.

"Growing buyback offers are also a reflection of the new opportunity available for funding these transactions with new pools of capital through local NBFCs (Non-Banking Financial Companies), alternative investment funds and offshore investors," says KPMG India's Shah. Also, often Indian promoters like to hold a controlling stake in a company, given their view of its growth potential, and therefore opt for a buyback. In such cases servicing the bridge funding seems a cheaper option than equity dilution, points out Shah.

"BUYBACKS HAVE PROVIDED 40 PER CENT OF OUR EXITS, WITH A HIGH PROPORTION OF THESE IN THE LAST COUPLE OF YEARS"

Archana Hingorani, CEO & Executive Director, IL&FS Investment Managers Limited

Clearly, the popularity of buybacks as an exit option seems set to grow in the future. ◆

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Targeted Hunt

New tie-ups, fresh acquisitions and much more are rocking human resource companies. By SHAMNI PANDE

PANKAJ BANSAL
PeopleStrong

Pankaj Bansal is always busy, but this year he is particularly stressed for time. The Co-founder and CEO of recruitment company PeopleStrong is not only responding to an increase in demand for talent from clients but is also scouting the market for potential acquisitions. "We wish to acquire a mid-sized, board-run firm that has competence in the search space and has about 150 people," says Bansal.

Indeed, like Bansal, most of the recruitment industry is priming itself for growth this year and has plans to scale up. The opportunities in the Indian job market clearly have not gone unnoticed, leading to a considerable churn. The temporary staffing industry in the country alone is worth about ₹20,000 crore, according to estimates by Ernst & Young.

SHIV AGRAWAL
ABC Consultants

In February this year, a Japanese group acquired a majority stake in Indian search and staffing firm Alp Consulting for ₹30 crore. The reason for the deal was clear. India is a growing market and Japanese companies are deepening their presence here. "Staffing firms are sought by companies even in a downturn when they do not want to increase their own employee strength and overheads, but prefer to move light by contracting, temporary employees from staffing companies or even when they need to offload their employees to such firms without sacking them," says Moorthy K. Uppaluri, CEO, Randstad India & Sri Lanka, a unit of the Dutch multinational human resource (HR) consulting firm.

CHRISTINE GREYBE
DHR International

The buyout of Alp Consulting came close on the heels of Thomas Cook acquiring a majority stake in staffing firm Ikya Human Capital Solutions for a reported ₹256 crore last year. That is not all. Even firms focused on leadership talent are flexing their muscle. Japanese HR service provider Recruit Holdings has acquired the domestic team of executive search firms NuGrid Consulting, Stanton Chase India franchise and Orane Consultants last year for ₹150 crore. All these companies were promoted by R. Suresh who is now the Managing Director of RGF India, a subsidiary of Recruit Holdings. Suresh is bullish about RGF India's growth prospects. "Globally, we (Recruit Holdings) are among top two in leadership search and despite the time lost in reorganisation last year, we are growing at a very brisk clip," he says.

MAURICE ROZET
Alexander Hughes

One of the top global executive search firms, Stanton Chase International, has re-entered India through a partnership with ABC Consultants. ABC's division under the banner of Chairman's High Circle – spearheaded by B.P. Agrawal, the firm's consultant and Executive Chairman – will cease to exist. Agrawal will bring in a fresh team for re-launching Stanton Chase International in India. "We will clearly need a new team of partners and B.P. Agrawal will continue to drive that business independently," says Shiv Agrawal, MD, ABC Consultants.

Shilputsi Consultants, another executive search firm, is also looking to expand. "We are evaluating several small sets ups that need a significantly larger brand and ecosystem that we provide," says Purvi Sheth, CEO, Shilputsi Consultants.

There are others in the queue, exploring both organic and inorganic growth opportunities. European executive search firm Alexander Hughes is looking to grow its geographical presence here. Maurice Rozet, Chairman of the Board and President at Alexander Hughes, was in India recently. "We are keen to expand our presence here and feel that with our multi-national presence and consequent expertise in aiding companies

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CHANGING HANDS

JAPAN'S RECRUIT HOLDINGS' SEARCH DIVISON, RGF EXECUTIVE, TOOK OVER STANTON CHASE'S INDIAN OPERATIONS

ABC CONSULTANTS TO REPRESENT STANTON CHASE INTERNATIONAL IN INDIA

JAPANESE GROUP OUTSOURCING INC. ACQUIRES MAJORITY STAKE IN SEARCH AND STAFFING FIRM ALP CONSULTING

RAJEEV VASUDEVA TAKES CHARGE AS GLOBAL CEO OF EGON ZEHNDER

PEOPLESTRONG'S PANKAJ BANSAL PICKED UP STAKE IN TALENT ASSESSMENT FIRM WHEEBOX

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with a diverse board is much needed by companies here," he says. With Indian companies growing globally, they need a board and leadership that can grapple with compliance and governance issues in other parts of the world, Rozet adds. Alexander Hughes has actually been eager to make acquisitions in India, but has had to drop its plans. "We just could not find firms with a verifiable track record," says Pankaj Dutt, Managing Partner, Alexander Hughes India. Indeed, this is a common refrain from potential talent search consultants keen to grow through acquisitions in India.

R. SURESH
RGF India

PURVI SHETH
Shilputsi

AJIT ISAAC
Ikya

Rozet is not alone in visiting India in search of growth. Recently, InterSearch – another top global executive search firm – held its global annual meet here and was impressed by the opportunity. "We are looking to uncover talent not just for the Indian market but also for the global markets as today leaders are border agnostic," says Peter Waite, Member of the InterSearch Worldwide Standards and Quality Committee.

Christine Greybe, President, DHR International, was also here this year and along with recently appointed India Chairman, Deepak Gupta, reaffirms the company's aggressive plans for India. "We are open to inorganic growth through acquisitions," she says.

Clearly, there is a churn in the Indian recruitment market. "We scripted early such moves here, and the market periodically sees such consolidation," says Moorthy of Randstand. The year 2013 was one of the worst years for jobseekers in India. With Indian and global recruitment companies scaling up in the country, things may just change in 2014. ◆

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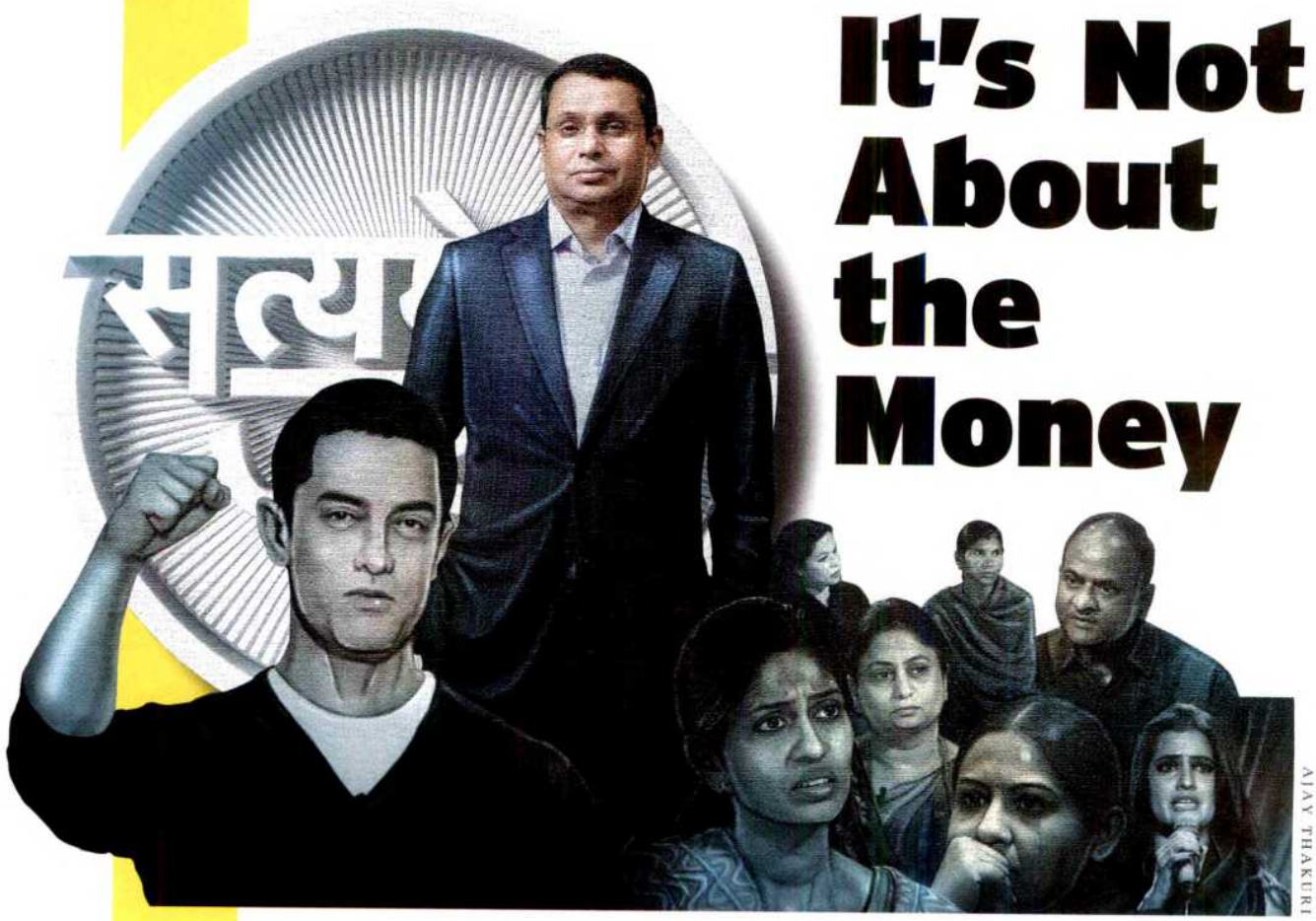

AJAY THAKURI

Star India CEO says that Satyamev Jayate is a not-for-profit show, and that socially relevant entertainment is his moral responsibility. By AJITA SHASHIDHAR

AD RATES FOR SATYAMEV JAYATE WERE LOWERED FOR SEASON 2, BUT RATINGS ARE UP, AND UNSOLD AD INVENTORY COMMANDS A PREMIUM

Like many Indians, Star India CEO Uday Shankar is an Aamir Khan fan. "I admire him for being an entertainer who tries to address social issues," he says. So one Saturday evening in January 2009, he stepped out of INOX cinema in Mumbai's Nariman Point after watching *3 Idiots*, wondering if he could get Khan to anchor a reality show on social issues. "My 15-year-old daughter made me think harder by telling me we should look at creating such content on Star."

A week later, Shankar met Khan, and recalls that the actor seemed unexcited about a TV show. He says: "He thought I had approached him for a run-of-the-mill reality show and said he couldn't see himself anchoring one." Shankar explained that he would not approach the maker of films such as *Taare Zameen Par* to do a regular reality show. More than a year later, Khan called Shankar and said he would consider anchoring a show on hard-hitting social issues. And so *Satyamev Jayate* (*SMJ*) was born.

The question Shankar has repeatedly fielded is whether he can make money on the show. To put things in perspective, producing an episode of a regular TV soap opera costs ₹11-12 lakh. The figure could be up to ₹1 crore for a reality show such as *Bigg Boss* or *Kaun Banega Crorepati*. But for *SMJ*, Star spent ₹4 crore per episode in Season One, and as much as ₹6 crore in Season Two. Khan reportedly charged ₹3 crore per episode in Season One, and is charging ₹4 crore in the current season.

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slot on Star Plus went for ₹4.5 lakh during Season One, according to a senior media planner, and advertisers who wanted to reach a wider audience by also advertising on Doordarshan, where the show was simulcast, paid close to ₹6 lakh. Media planning agencies say the broadcaster had pre-sold almost its entire inventory, and the show was profitable in the first season.

But Season One ratings were disappointing, and many media planners said that Star, which had attracted advertisers by pitching Aamir Khan, would have trouble finding enough takers for Season Two. The show's average rating for Season One was two GRPs (gross rating points). By contrast, a property such as IPL, whose ad rates are comparable to *SMJ*'s, has an average rating of four GRPs, and is more attractive to advertisers.

Though Season Two has attracted new advertisers, media planners say there has been a rationalisation in ad prices. A 10-second spot is around ₹3 lakh on Star Plus, and ₹4.5 lakh for the six language channels on which the show is being simulcast. Less inventory has been presold than in Season One.

Despite lower ad rates, Shankar has reason to smile, as ratings are up and unsold inventory can now command a premium. The first two episodes of Season Two were watched by a total of 210 million viewers, according to TAM Media Research, and got over 280 million impressions on the digital platform. The show has a rating of around 3.5 GRPs – higher than Season One. "With elections just a few days away, Indian viewers are more receptive to content that has a social angle. I expect *SMJ* to do much better this time," says N.P. Sathyamurthy, President of DDB Mudra Max, the media planning arm of DDB Mudra.

Shankar says *SMJ* was never meant to be a profitable property. "We were defying the traditional definition of entertainment content ... [and] prepared to take losses," he says. He says he hadn't even told his sales team what the show was about in the first season. "We didn't give reels to our sales team to show to advertisers, as we didn't want them to form impressions. The people who put in money had nothing but faith in us."

Mohit Beotra, Chief Brand Officer at Bharti Airtel, *SMJ*'s principal sponsor, says the show had a positive rub-off on the Airtel brand in the first season. "We are thrilled to partner this year's edition of *Satyamev Jayate*.... Airtel has always taken the lead in associating with... initiatives that resonate with today's India."

Aakash Chaudhry, Director at Aakash Educational Services, which is an associate sponsor, says that backing a show focused on social issues enhances the brand equity of a company like his. He says he doesn't think he is paying too much. "In print media, for instance, one would have to advertise in multiple editions to reach out across the country. By doing so, we would probably have paid 60 per cent more than we are on *SMJ*."

Jehil Thakkar, Head (Media and Entertainment Practice), KPMG, says shows such as *SMJ* indicate that the broadcast industry is maturing. "As of now, the quality of our programme is nowhere near what many developed markets do. Doing differential programming will need deep pockets and Star is in a position to take those risks."

Shankar agrees that *SMJ* is not cheap to make, but says his network's content will increasingly focus on social issues. "We will not do regressive content," he says. ◆

@AjitaShashidhar

BEFORE ELECTIONS, A NEW TREND

Veera, the lead character of the eponymous show on Star Plus, woos 18-year-olds to vote in the upcoming elections. *Halla Bol*, a 13-episode show on the youth channel Bindass, features real stories of women who have fought out sexual harassment. With general elections around the corner, programmes that focus on socially relevant issues are the latest trend among broadcasters across genres. Bindaas has also created an online platform, called 'B For Change', where it is inviting youth to vote on questions pertaining to social ills that they would like to change. "With elections approaching socially relevant issues are top-of-mind," says Indrajit Ray, Executive Director, Content, Disney UTV.

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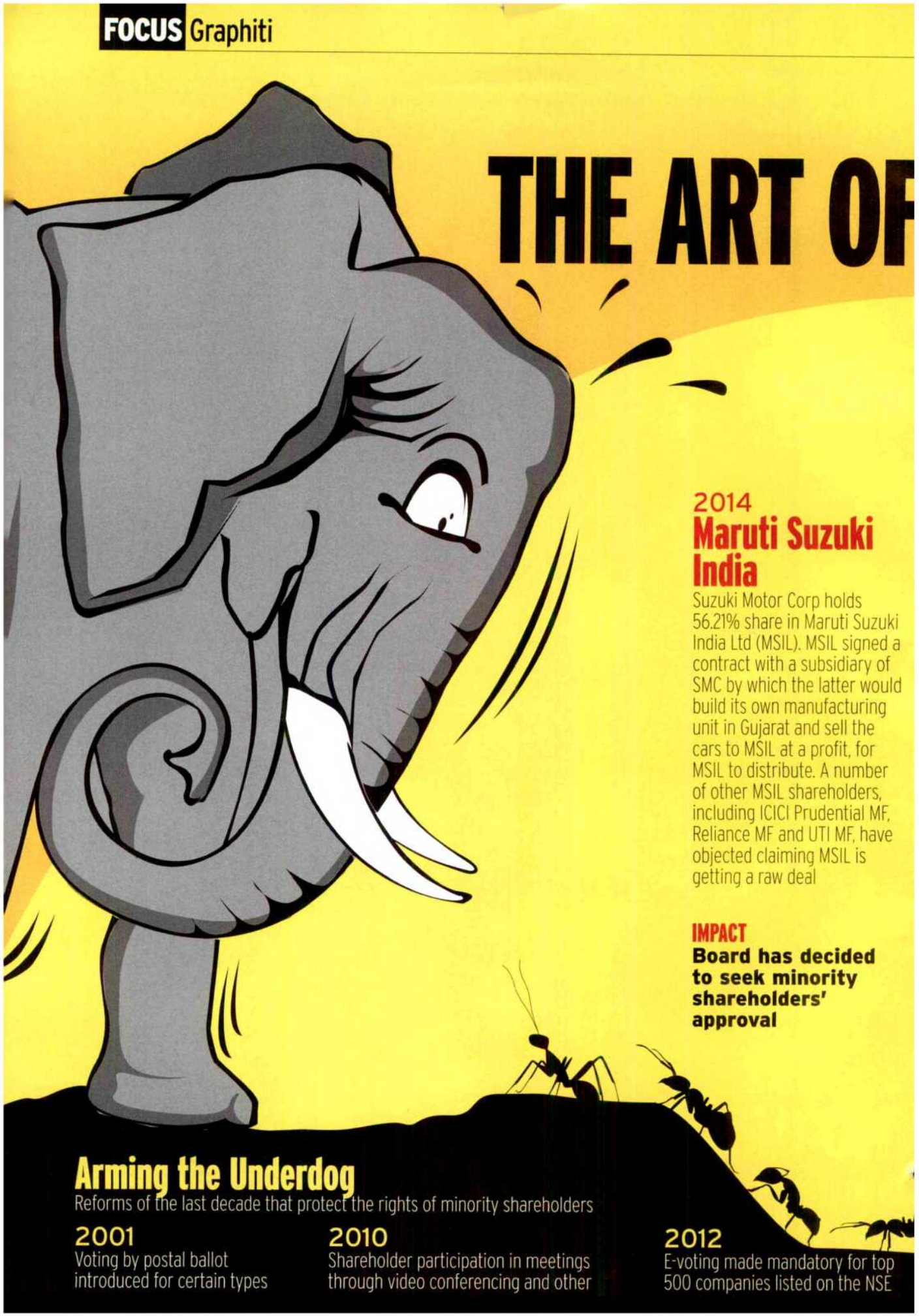


THE ART OF

2014
Maruti Suzuki India

Suzuki Motor Corp holds 56.21% share in Maruti Suzuki India Ltd (MSIL). MSIL signed a contract with a subsidiary of SMC by which the latter would build its own manufacturing unit in Gujarat and sell the cars to MSIL at a profit, for MSIL to distribute. A number of other MSIL shareholders, including ICICI Prudential MF, Reliance MF and UTI MF, have objected claiming MSIL is getting a raw deal

IMPACT

Board has decided to seek minority shareholders' approval

Arming the Underdog

Reforms of the last decade that protect the rights of minority shareholders

2001
Voting by postal ballot introduced for certain types

2010
Shareholder participation in meetings through video conferencing and other

2012
E-voting made mandatory for top 500 companies listed on the NSE

BATTLING GIANTS

When minority shareholders disagree strongly with company policy, they usually sell their shares and exit, fearing they will not be taken seriously. But there have been a few doughty ones who have stood up and objected strongly enough to make an impact. Some recent examples:

Graphic by **Anand Sinha** Research by **Niti Kiran** and **Jyotindra Dubey**

2014
Essar Energy

Essar Global group owns 78% of Essar Energy. It proposed buying the remaining 22% stake for $1.5 billion valuing Essar Energy at one-sixth of its listing price in 2010. Minority shareholders in Essar Energy, such as Henderson Global Investors and Standard Life, rejected the bid saying the company was being undervalued

IMPACT

Essar Energy has set up an independent committee drawn from its board of directors to reconsider its terms of purchase

2012
Coal India Ltd

The government holds 90% share in Coal India Ltd (CIL). A minority shareholder, The Children Investment Fund Management (UK) Llp, accused CIL of damaging shareholder interest by its "acquiescence to interference by the Prime Minister's Office" on coal prices. It has gone to court with a class action suit, claiming ₹212,250 crore

IMPACT

Legal battle is still on

2011
Crompton Greaves

Crompton Greaves is a Gautam Thapar's Avantha Group company where the promoter holds 41% of the shares. It bought an aircraft for ₹270 crore in 2010/11, a year when its net profit was ₹70 crore and its cash balance stood at ₹150 crore. Minority shareholders questioned the management's corporate governance practices

IMPACT

The company sold the jet at the price at which it was purchased

2009
Satyam Computer

Ramalinga Raju, promoter and CEO of Satyam Computer Services, with 9% share, proposed buying Maytas Properties for $1.3 billion and acquiring a 51% stake in Maytas Infrastructure for $300 million, moves which could exhaust its nearly $1.2 billion cash pile. Many other shareholders objected

IMPACT

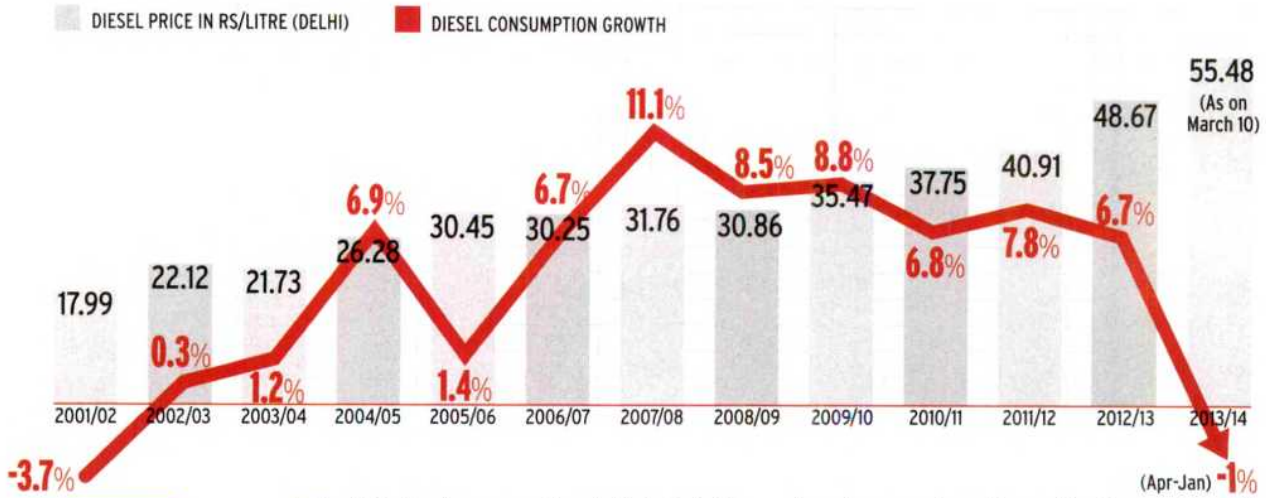
The acquisition was called off. B. Ramalinga Raju's letter, admitting to what came to be known as the Satyam scam, came soon after

2012

The new Companies Bill passed which gives shareholders greater rights, including the right to approve certain related-party transactions, exit options, etc. It also allows class action suits – law suits brought by one or more individuals on behalf of a large group of shareholders who have the same complaint against a company

Evaporating Appeal

The annual consumption of diesel could fall for the first time in a decade, following regular upward price revisions. By AJAY MODI



India's diesel consumption is likely to fall in 2013/14, the first time in more than a decade. In the 10-month period (April to January) of 2013/14, the fuel's consumption has declined by one per cent.

According to the Petroleum Planning and Analysis Cell, the data wing of the Petroleum Ministry, rising diesel prices and shifting of industrial consumers to alternative fuels due to a dual pricing policy, has dampened consumption. Slowing sales of commercial diesel vehicles and the improved power situation – leading to less diesel use in private generators – have also contributed to the trend, it said. In fiscal year 2013/14, diesel prices – between April and February – rose over 14 per cent to ₹55.48 a litre in Delhi. "The reasons for the fall [in consumption] could range from price elasticity and grid power stability to the downturn," says Deepak Mahurkar, Director and Leader-Oil and Gas at PwC India.

The government has raised the price of diesel by 50 paise almost every month from January 2013 to wipe out losses on the fuel and eventually make its price market determined. (Petrol prices were decontrolled even earlier.) "In the past, we have seen the gap between diesel and petrol climb to ₹27 a litre. That's now down to ₹17. That's why the demand for diesel cars has also gone down," says Ajay Bansal, General Secretary, Federation of All India Petroleum Traders. Petrol consumption growth, which was just 5.6 per cent in 2011/12 and five per cent in 2012/13, was 9.4 per cent between April and January 2013/14.

The government also introduced a dual pricing system for diesel in January 2013. This requires bulk consumers like the Railways, state transport undertakings and industrial consumers to pay a market-linked price for diesel. For such consumers, the fuel is about ₹7 costlier than the regulated price at which it is sold at retail outlets. Bulk sales account for around 15 per cent of diesel consumption.

Diesel sales have also been impacted by an overall slowdown in the manufacturing and construction industries, says Bansal.

Local consumption of diesel had been growing at six to eight per cent over the past few years due to various factors, including stable pricing. Meanwhile, sluggish demand growth in the domestic market has also triggered an increase in diesel exports. In the April-to-January period, diesel exports volume grew over 17 per cent to 22 million tonnes.

Oil companies still lose over ₹7 on every litre of diesel sold at the regulated price. More than half the under-recoveries of oil marketing companies are due to losses on diesel. ◆

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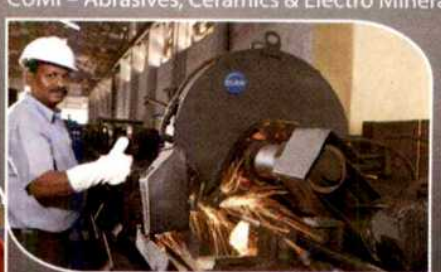

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"If CBI finds that it erred in filing such an enquiry and in giving it publicity without carrying out proper diligence, then the director must apologise"

C.B. Bhave, *former Chairman, Sebi, in* The Economic Times

"The agency has enough credible information to initiate a PE (preliminary enquiry) against Bhave and [K.M.] Abraham. It would be closed if nothing was found against them"

Ranjit Sinha, *Director, Central Bureau of Investigation, in* The Economic Times

"I don't think the entire facts are yet before the CBI. The original licence granted to MCX-SX was only to deal in currency futures. It was not a licence to deal in equity"

P. Chidambaram, *Union Finance Minister, in* The Indian Express

"THIS FISHING EXPEDITION BY THE CBI IS DETRIMENTAL TO DECISION-MAKING IN THE PUBLIC DOMAIN... ALL DECISION-MAKING WILL COME TO A HALT THIS WAY"

Jairam Ramesh, *Union Rural Development Minister, to wire agencies*

"I think this entire action of trying to second guess decisions taken five years afterwards is not good for the business climate in India"

G.K. Pillai, *former Home Secretary and ex-Chairman, MCX-SX, to wire agencies*

"I have not known anyone as clean as Mr Bhave. I have worked with him in different capacities. He is as clean as a whistle"

Deepak Parekh, *Chairman, HDFC Group, to wire agencies*

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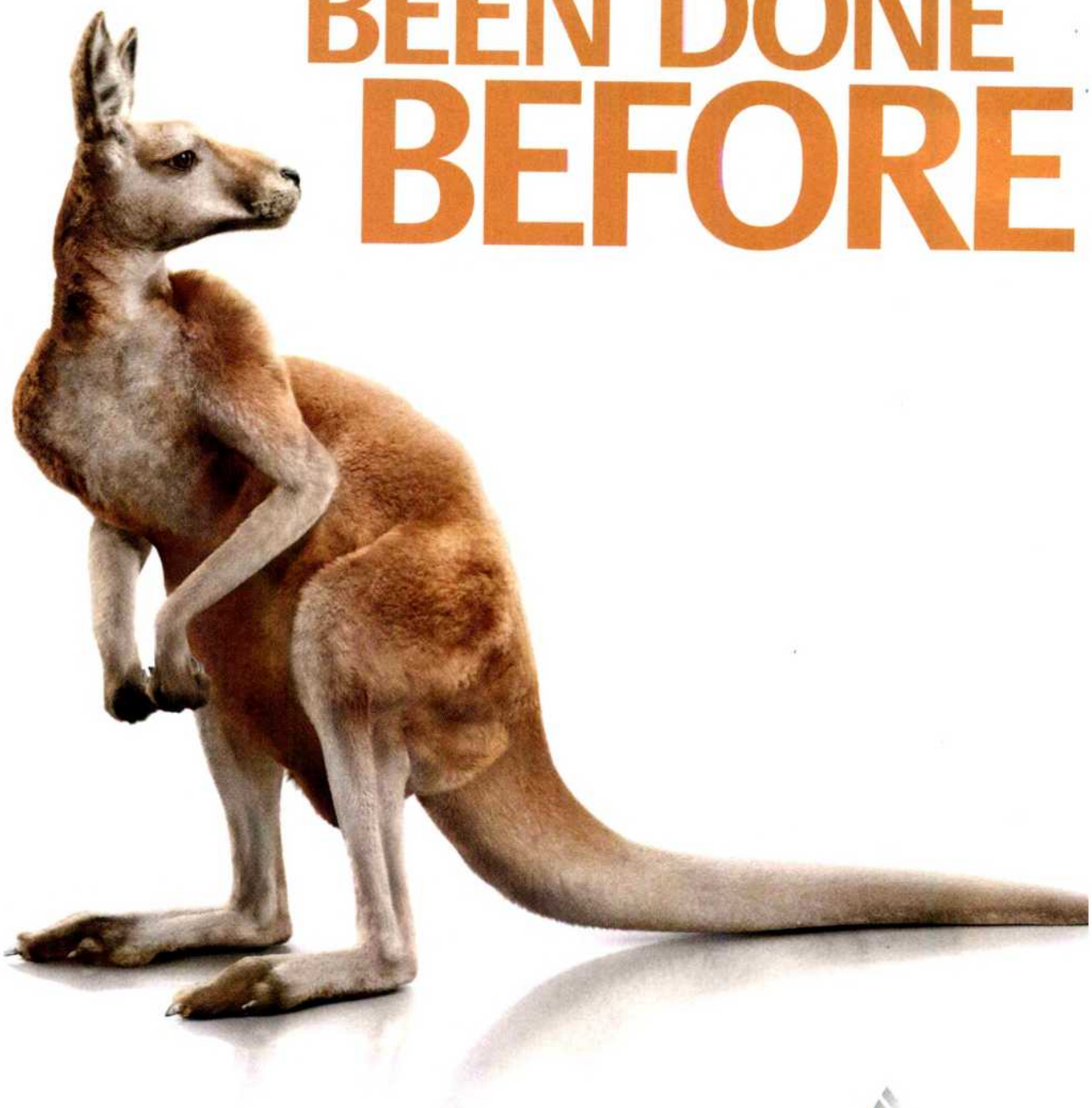

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INDIA TODAY CONCLAVE

You *Can* Win Them All

In a time of economic stress, the 13th edition of the Conclave sheds light on ways in which the country can still achieve its full potential.

Debate with Kapil Sibal and Vasundhara Raje

Aroon Purie, Chairman and Editor-in-Chief of the India Today Group

Salman Khan and toilet advocate Jack Sim

In a couple of months, India will have a new government that will decide its future course. The journey in recent years has been marred by poor economic growth, policy paralysis and corruption. In this uncertain environment, the 13th edition of India Today Conclave shed light on how the country could achieve its full potential.

The two-day event, held in New Delhi on March 7 and 8, was a medley of fiery debates, stimulating conversations, exchange of ideas and networking, with some of the best thinkers, artists, politicians, corporate leaders and policymakers from around the world.

In his inaugural address, Aroon Purie, Chairman and Editor-in-Chief of the India Today Group, said we need a leader who can unite people and unleash India's potential. "We are a country hungry for capital, we are hungry for education, we are hungry for energy... above all, we are hungry for decisive and honest leadership," he said.

The theme this year was 'Winning'. The eclectic nature of sessions made them enriching for everyone. Forty-nine speakers discussed issues ranging from economic challenges to putting toilets before temples. Vedanta Resources Executive Chairman Anil Agarwal, for instance, said it is high time India harnesses its natural resources and focuses on manufacturing. Activist-turned-politician Arvind Kejriwal focused on the BJP's prime ministerial candidate Narendra Modi. There was also a high-decibel debate between Union minister Kapil Sibal and Rajasthan Chief Minister Vasundhara Raje, in which each tore into the claims of the other's party.

The last session culminated in redefining the Conclave itself, when Bollywood superstar Salman Khan hugged dozens of fans to raise money to build 600 toilets around the country. Indeed, it was a big moment for the Conclave.

PHOTOGRAPHS BY SHEKHAR GHOSH

Anil Agarwal

"India has abundant natural resources. All it needs is reform"

Billionaire industrialist **Anil Agarwal** *has been facing a number of problems to expand his businesses in India. The government in January rejected environment approval to his Vedanta Group's proposed bauxite mining project in Odisha's Niyamgiri hills and has also been dragging its feet on allowing its Cairn India unit to expand its exploration activities. Still, Agarwal believes India has tremendous growth potential. In a conversation with* **Arunima Mishra** *at the* India Today Conclave 2014, *Agarwal says India must encourage mining and manufacturing to boost economic growth and hopes that the new government that will take charge after the General Election due in May will provide strong and decisive leadership. Edited excerpts:*

How does Vedanta plan to make the Lanjigarh aluminium plant in Odisha fully operational now that the government has rejected environment approval to bauxite mining in Niyamgiri hills?

It's a small thing [for Vedanta]... Not even a blade of grass has moved there as we have been talking about it for 10 years now... Aluminium is an important material for India. It's a material that can bring tremendous prosperity for India. If we produce aluminium it can provide employment to five crore people. We [Vedanta] have created a capacity of 30 lakh tonnes [but] we are running at 40 per cent capacity.

It [the Lanjigarh plant in Kalahandi district of Odisha] is a national asset and we expect our bauxite problems to be resolved... Late Biju Patnaik [former chief minister of Odisha] had one feeling in his heart that the stigma of Kalahandi can be eradicated only by setting up an industry there. We have set up that unit spending ₹50,000 crore in Odisha. When I went there 10 years back, it was... worse than Andaman and Nicobar Islands. Today if you go, there's prosperity and the only industry there is our industry. It's a development model.

So, what's your Plan B for the plant?

They [state-run Odisha Mining Corporation, a joint venture partner for bauxite mining] are doing whatever they can do. We are not interested in Niyamgiri. We need bauxite. We need our food.

Do you think any corporate rivalry resulted in the no-mining status for Niyamgiri hills?

No. There has been no corporate rivalry... There's so much to be done in India [but] who has the courage to do it? We need more industry people to come forward and do it.

There's speculation Cairn India would be merged with Sesa Sterlite. Is it true?

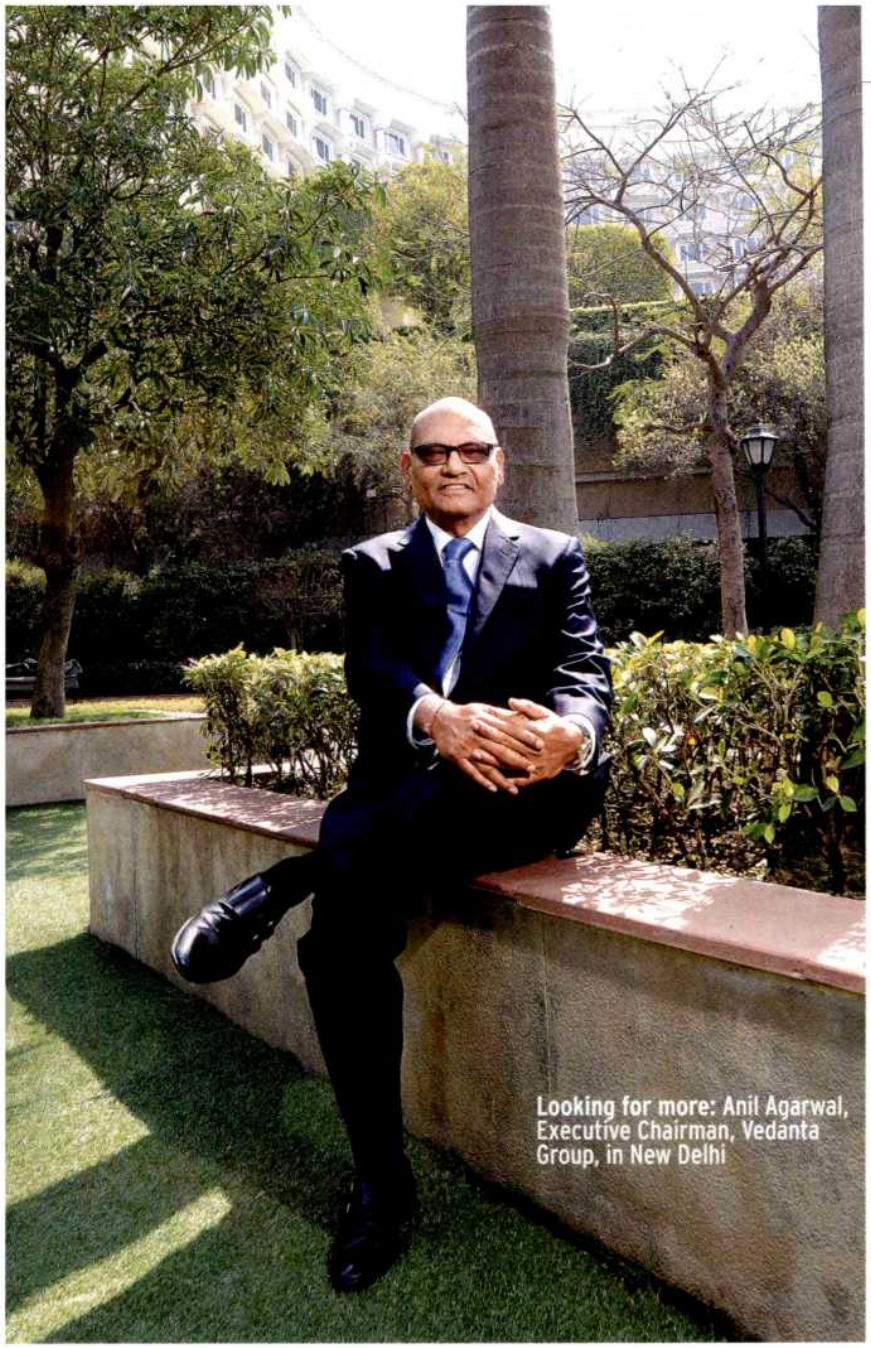
There's no [such] plan at the moment.

Is there any update on the government's decision to sell its residual stake in Hindustan Zinc and Bharat Aluminium Company?

The status is same. We have created tremendous value... The government has all the inclination to give us the [remaining] share. It's a model that is a win-win situation where the government value of ₹500 crore has gone over ₹15,000 crore. So, it shows this model created value. It's very important that the government takes the view and moves forward.

Are Vedanta's mining projects running the way you wanted them to be?

Our mining projects are not running the way we wanted. We want a reformation to take place in the oil sector. Cairn India has given ₹24,000 crore as royalty and taxes, which is the highest in the corporate sphere. These are the priority sectors... the government is working with us. We want more production to take place.



Looking for more: Anil Agarwal, Executive Chairman, Vedanta Group, in New Delhi

SHEKHAR GHOSH/WWW.INDIATODAYIMAGES.COM

How acute is the energy security problem in India?

We have abundant amount of these resources [oil, gas and coal]. We are spending almost $200 billion on [importing] these. These can all be produced in India. Let world-class people come and develop our resources that can be used to generate electricity. India has abundant natural resources. All it needs is reform.

What reform measures do you suggest the government should take?

Two things. First, our natural resources – we must produce 50 per cent of gas and oil in India. Auction the natural resources in a transparent manner just like the 2G [second-generation telecom] spectrum auction has been done. The government will get funds, things will get faster. The whole world will be confident that they can come and invest in India.

Second, the reform agenda should be selling majority stakes in public-sector companies. It will be like America where all corporations are run by a CEO and the owner is a shareholder who can pull up the management. All these companies will be 10 times bigger and they can employ seven to eight crore people in the public sector when there's an independent CEO, not a government official... If the petroleum and mines ministries undertake reform in a simple manner, huge employment will be generated, tremendous growth will take place and huge investment will come. It will be transparent and it will be governance-oriented. New airports and telecom companies are running like that.

What are your expectations from the new government?

It is very important to eradicate poverty and create jobs. One of the biggest things that can be done to create jobs is to boost manufacturing and develop our natural resources. Maximum employment can take place in the mining sector or processing those minerals and in manufacturing. I would like to see strong leadership in governance.

What's your view on the Bharatiya Janata Party's prime ministerial candidate Narendra Modi as he too talks a lot about manufacturing and business?

We are out of politics. We are like a bird and we will go anywhere. ◆

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The Enterprise Goes Global

After its success in India, Micromax plans to boldly go to countries where no Indian phone maker has gone before. By SUNNY SEN

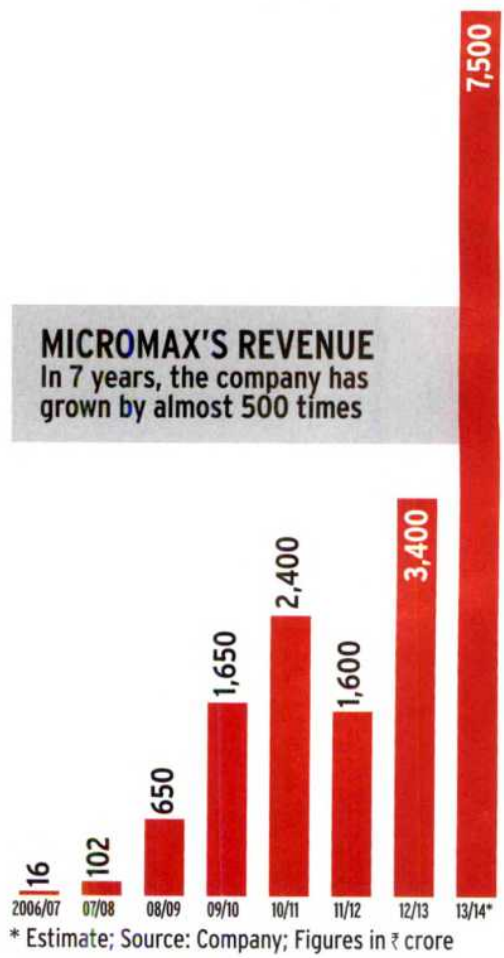
In 2006/07, when Micromax, today India's largest domestic handset maker, reported revenues of ₹16 crore, Rahul Sharma and his three co-founders thought they could make it a ₹1,000-crore company in a few years. They had no time frame in mind. But just seven years later, Micromax has grown about 500 times, to ₹7,500 crore in 2013/14. The formula was simple: offer consumers the handsets that they wanted – the qwerty "Q" series in 2009, the Swarovski-encrusted Bling series for women in 2010, and more recently, Android touch phones – at some of the lowest rates in the market.

Micromax's leading rivals have changed over the last seven years. In the feature phones era, it fought Nokia. When qwerty was a rage, it was pitted against BlackBerry. Now it is taking on Samsung's and Apple's smartphones. While Nokia and BlackBerry are struggling, Micromax has grown stronger. And Sharma, who drives a Bentley Continental GT, is dreaming bigger: he wants Micromax to be among the top five globally in five years.

The journey has begun. In January, Sharma travelled to Moscow to launch the Micromax brand in Russia. It is already present in Sri Lanka, Bangladesh and Nepal, but then these countries' culture and consumer needs are similar to India's, and Micromax is among the top three handset makers in all of them.

Russia is different, and therefore a challenge. It is a large smartphone market – about 40 per cent of all handsets are smartphones, compared to India's 19 per cent. Smartphones account for 60 per cent of Micromax's revenue, and their share is growing. So it makes sense for it to be in markets with a high smartphone base.

Sharma also sees Russia as the gateway to Eastern Europe,



Catching the sun: Micromax co-founder Rahul Sharma at the India Today Conclave in Delhi

SHEKHAR GHOSH/www.indiatodayimages.com

Micromax

which is a retail-led market like India, and not an operator-bundled market like the US and Western Europe. Next in line is Romania, Sharma told *Business Today* at the India Today Conclave, held in New Delhi March 7 and 8. He said Micromax had its sights set on other countries in the region, including the Czech Republic, Hungary, Poland, and Slovakia, adding: "If you have tasted success in Russia, you can quickly expand into these countries."

It took Sharma a year of planning to launch the brand in Russia. Micromax saw an opportunity as Nokia, despite leading in the Russian market, was on the back foot globally. Sharma had figured that the products needed to be different. Successful products such as Canvas and Bolt have been adapted to Russian needs in terms of design and apps. Gmail is replaced with mail.ru, Russia's largest mail service. Besides Facebook, the phones have the Odnoklassniki social networking app. Instead of Google search, there is Yandex, which gets 60 per cent of Russia's search traffic.

Micromax sees Russia as a gateway to Eastern Europe, which is a retail-led market like India, and not operator-bundled one like the US

Micromax's international revenue is still small – under 10 per cent – but Sharma says that in five years, it should be half of the turnover. "We are investing millions of dollars for this expansion," he says. He adds that the company plans to spend ₹100 crore in Russia for expansion.

This is not the first time Micromax is trying to expand globally. Its earlier attempt bombed. In April and May 2010, it had planned to launch in Nigeria and Brazil, but those plans fell through. It had a presence in the UAE, but it was a smartphone market, and Micromax hardly had a smartphone portfolio. (It still sells in West Asia through a handful of retail chains, including Carrefour, Axion and Lulu, but it is absent from smaller stores.)

So Micromax shelved its international expansion plans in 2010 itself, as the Indian market was growing fast and smartphones were becoming popular. "We regrouped and thought things over, and decided to focus first on India," says Vikas Jain, another Micromax co-founder. In 2011/12, the company was restructured. It became fully automated, implemented processes for enterprise resource planning and customer relationship management, and created verticals for smartphones and feature phones. Revenues dropped 34 per cent to ₹1,600 crore, but in the next year they more than doubled.

The company is now in better shape financially, and can take larger bets and risks. Sharma says Micromax has no debt on its balance sheet. He says the company will put in money initially on entering a country, and after that, revenues from that location would be reinvested in that region. Targets are clearly measured and set. "We are very, very clear that the region has to start making money in the second year," says Sharma. He adds that he doesn't believe in taking loans from financial institutions for expansion. The company has only raised one round of funds from TA Associates and Sequoia Capital, which together hold about 20 per cent of Micromax. The rest is held by the four founders.

To make a business case, Jain says, it is important to have a double-digit market share in every country. "We do not want to be present in a country where we cannot make a difference," he says.

The company has signed up *X-Men* star Hugh Jackman to give Micromax international appeal. The deal was sealed within 24 hours, after just one meeting with Jackman during a film shoot in Los Angeles. A couple of Skype calls followed, and Jackman was on board, ready to shoot an advertisement. "We were shocked," says Sharma.

Besides Russia and Romania, Micromax plans to enter two more countries this year. As in India, it will face competition from Nokia, Apple and Samsung in its new markets. But Sharma is undaunted. He says: "In India, we have challenged all international players... If we can demonstrate this in India, we can do it in any other country."

Analysts say Micromax has the potential to be successful internationally. "It is a full-grown handset company, which has the experience of selling devices in a big market, and they understand the end-user demand," says Anshul Gupta, telecom analyst with global research firm Gartner.

Sharma's dream is not merely international expansion. He looks forward to the day when a Micromax ad airs during the Super Bowl, the biggest event in American football (at the last Super Bowl, in February 2014, a 30-second slot cost around $4 million). "That will be my ultimate day," he says. ◆

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INDIA TODAY CONCLAVE

Whose Growth is it anyway?

Montek Singh Ahluwalia and Arvind Panagariya slug it out at the Conclave, in a discussion moderated by **Shweta Punj**

UPA did well: Montek Singh Ahluwalia

VIVAN MEHRA

Montek Singh Ahluwalia, Chairman of the Planning Commission had a hard time justifying the subsidy-saturated record of the ruling United Progressive Alliance government when questioned closely by Arvind Panagariya, economics professor at Columbia University, and known for his support for the Narendra Modi-led Gujarat model of development. Edited excerpts from the conversation:

Panagariya: (Take) the issue of doles versus growth. Doles (include) raising the (number of subsidised) LPG cylinders (allowed annually per individual) from nine to 12, or pushing through the Food Security Bill (before) the state level elections (last December). I think doles (are) becoming more and more passé and in my home state Rajasthan they certainly didn't work.

Ahluwalia: We do not take the view that growth is not important; let's (only) do doles! The whole strategy outlined in the (12th Five Year) Plan is an inclusive growth strategy.... I think the confusion seems to arise because we use the term 'inclusive growth' and many people think that we just want to give doles and we don't care about growth. This is just wrong.

Doles do not work: Arvind Panagariya

Moderator: Is it good economics to increase spends on subsidies when the economy is not growing?

Ahluwalia: I accept that ...I think when growth is down and resources are cut, it is energy subsidies that should be cut.... I don't believe there is a single economist who had a job in the government of India for the last 20 years who hasn't said that. I cannot claim originality. It is just an incredibly difficult thing. There is not a single political party that is willing to support it. I agree both the subsidy of free power to agriculture and the subsidy on fertiliser are dysfunctional.

Panagariya: What have you done in the last 10 years to encourage growth?

Ahluwalia: You are the one who said in the last 10 years we have had the highest growth ever.

Panagariya: I didn't say thanks to you. (The credit goes to former prime ministers) P.V. Narasimha Rao and Atal Bihari Vajpayee.

Ahluwalia: You should not be allowed to get away with the proposition that the entire performance of (the last) 10 years is due to previous twenty. No, no, no, no...

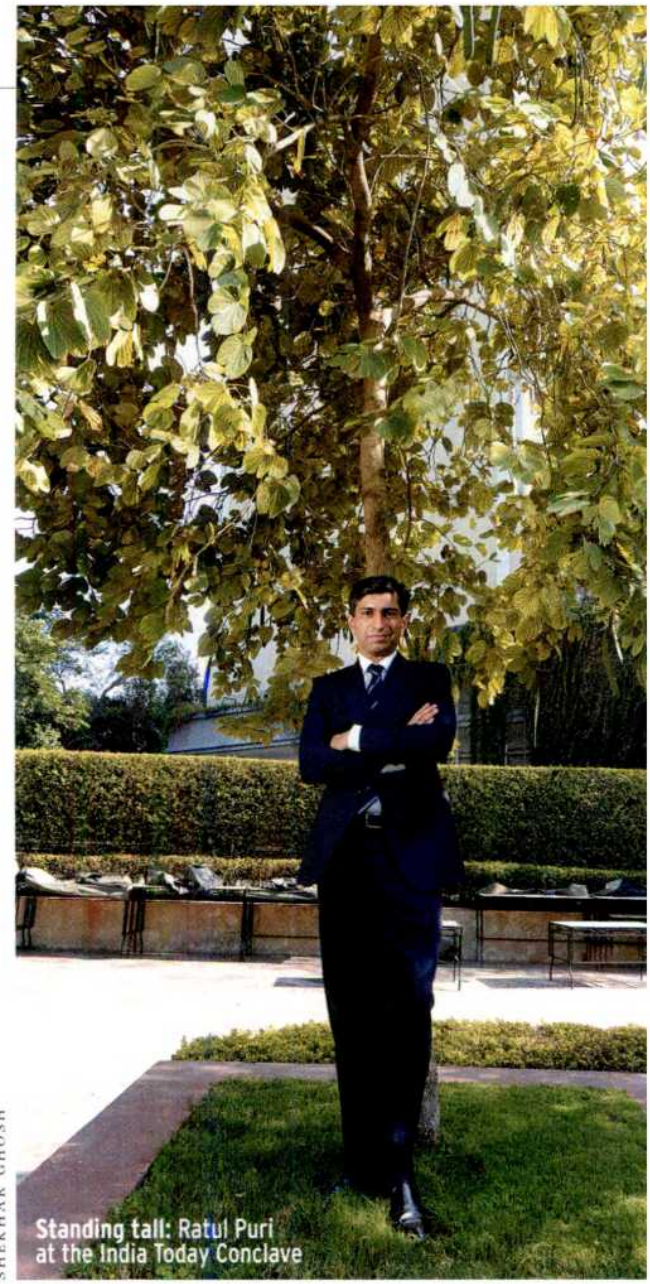
Panagariya: The UPA's contribution certainly is that it did not tamper with the reforms.

Ahluwalia: The entire public private partnership thrust in infrastructure more or less dates from 2004 (when the UPA government came to power)

Panagariya: Your government's affidavit to the Supreme Court says about half the roads built in the last 20 years were by the NDA.

Ahluwalia: No, no... about half the roads built were commissioned in the last year end (of NDA rule). If you compare the last 10 years with any 10 years previously, the difference is huge. UPA-I did a very good job but UPA-II didn't. (But even) if you compare UPA-II with NDA, UPA comes out better except in one dimension – and that's inflation. ◆

In Search of Light



SHEKHAR GHOSH

Standing tall: Ratul Puri at the India Today Conclave

Ratul Puri unveils a mega investment plan for his fledgling power generation business. By SUNNY SEN

Ratul Puri wanted an image makeover for Moser Baer Power Projects and the best possible way was to shed the baggage of the name. Moser Baer was founded by Puri's father Deepak in 1983 and the company became a household name for selling cheap CDs, DVDs and rewritable discs. But Puri had forayed into a completely different business of power generation by the end of 2008. After about four years he decided to change the company name to Hindustan Powerprojects Pvt. Ltd. (HPPPL). "We were building a new identity," says Puri.

HPPPL is not a subsidiary of Moser Baer and nor does Puri's father hold any shares in the company. About 65 per cent of the company is owned by Puri and his children (the rest of the company's equity is with institutional investors). More than two years ago Puri stepped down from the board of Moser Baer and since then has been busy building the power generation business which he thinks

will grow exponentially in the future.

Puri rattles off a few statistics to *Business Today* on the sidelines of the India Today Conclave in New Delhi to explain why he is betting big on power. "In the power sector India needs to invest about a trillion dollars to match the deficit in the next 20 years," says Puri. HPPPL will focus on coal thermal, hydro and solar power plants. The company is already India's largest solar power generation company. It generates 350 megawatt solar power which Puri intends to increase to 1.5 gigawatt in the next three years. He has already pumped in more than ₹6,000 crore to build solar power assets for boosting generation capacity. Another ₹6,000 crore has gone into building coal thermal plants in Madhya Pradesh and Chhattisgarh and a distribution network.

By 2016, Puri will pump in ₹32,000 crore into HPPPL – of which ₹13,500 crore has already been utilised by the company – to raise its power generation capacity to six gigawatt. Thermal power will account for four gigawatts, 1.5 gigawatt will come from solar and the rest from hydro. This is likely to put it among the top five power producers in the country. NTPC is the leading power generation company in India currently with an installed capacity of almost 43 gigawatt. Puri says he does not want to depend entirely on thermal power because there will be a shortage of coal in India in the future. He does not want to depend on imported coal. "How can we depend on a supply chain that sits in a third party country," he says.

While HPPPL's thermal plants in Madhya Pradesh and Chhattisgarh are yet to go on stream, it began solar power generation in 2010/11. The company had an EBITDA (earnings before interest tax depreciation and amortisation) of ₹500 crore from its solar business in 2012/13.

The first phase of HPPPL's thermal power plant in Madhya Pradesh is likely to be commissioned in the next couple of quarters and will help the company generate 1,200 megawatt of power by the end of 2014/15. Its hydro and solar plants will generate another 1,000 megawatt by then. Next in line is the commissioning of the second phase of the thermal power plant in Madhya Pradesh, followed by Chhattisgarh.

Puri is not willing to disclose when his power business is likely to break even. But once all its power plants become operational, HPPPL hopes to generate EBITDA of over ₹2,500 crore. It has already signed a 25-year power purchase agreement with the Uttar Pradesh Power Corporation.

Puri is happy with the way his plans are taking shape but admits there is a long journey ahead for HPPPL. It remains to be seen whether Puri can execute his ambitious plans for the power generation business. ◆

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Getting the ball rolling: Didier Lombard, Chairman of the supervisory board of STMicroelectronics

SHEKHAR GHOSH/www.indiatodayimages.com

Chip Off a New Block

STMicroelectronics will provide tech support to help India start its chip manufacturing journey.

By GOUTAM DAS

European chipmaker STMicroelectronics will help India jump-start its chip manufacturing journey by providing technology support to one of the consortiums setting up a semiconductor wafer units in the country. The Union Cabinet in February approved setting up of two semiconductor wafer fabrication manufacturing facilities, and STMicroelectronics is part of a consortium led by Hindustan Semiconductor Manufacturing Company (HSMC) that is setting up a plant at Prantij in Gujarat at a cost of ₹29,013 crore.

Didier Lombard, Chairman of the supervisory board of STMicroelectronics, feels it is the right time for India to get into chip manufacturing considering the explosion of electronic devices and the country's huge consumption potential. Lombard was a speaker at the *India Today Conclave* and spoke to *Business Today* on the sidelines.

"The growth of the electronics industry will be extremely high in the future and for a very large country like India where you have millions of customers, if you import products, you will have a deficit. So you need to produce them locally," he said, echoing the government's thinking.

The government is hoping the fab units will boost the flow of capital and technology, create jobs, and help in higher value addition in electronic products made in India while reducing dependence on imports.

STMicro's support, Lombard added, will help India enter the race at the appropriate level. "We are supporting the project by our technology in order to allow the Indian project to jump the step at the appropriate level. In this race, if you are not at the top level, you have a big difficulty," he said. "So you need help. It is exactly what we are offering to the consortium." ◆

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Loo and Bollywood

The founder of the World Toilet Organization is working on a Hindi movie to spread awareness of the importance of toilets. By ARUNIMA MISHRA

SHEKHAR GHOSH

Making toilets sexy: Jack Sim in a restroom at the Taj Palace Hotel, Delhi

His goal is to ensure that everyone uses toilets. That way, nothing gets contaminated. "We have to create a revolution to make toilets sexy," says Singapore-based Jack Sim, Founder, World Toilet Organization (WTO), who attended the recent India Today Conclave. In many countries, including India, large numbers of people still defecate in the open. "In India, open defecation is a huge problem that has massive health implications," he says. "It isn't only due to poverty, it's the culture."

Around 40 per cent of the global population does not have a toilet, says Sim. Expensive toilets are not needed, he adds, only affordable ones. Also, it is not difficult to make a toilet look good. "Simply painting the toilet wall with a lotus or a peacock makes it beautiful," says Sim.

Sim, who has partnered with Hindustan Unilever Ltd in India, wants to see companies putting their CSR (corporate social responsibility) funds into sanitation. He is planning to set up a unit to manufacture toilets near Bhubaneswar in Odisha. "We are hoping to clone the SaniShop franchise everywhere...," he says. SaniShop is WTO's manned social franchise model responsible for manufacturing and selling toilets to the local community in developing countries. This year, Sim will take the SaniShop concept to Cambodia in Southeast Asia and Mozambique in Africa, besides expanding it beyond Odisha in India.

There is also a Hindi film on sanitation on the anvil. *Life Without Toilet* will revolve around a family and its woes due to non-availability of a toilet. "I've written the story, I've met some producers already, who liked the story. We will use this movie in villages to educate people," says Sim. He hopes the film will change the way people in India look at toilets. Earlier, Sim had written the script of a film on Singapore's toilets, which catered to markets in Singapore and Malaysia.

So, why did Sim choose toilets as his life's mission? "I like choosing neglected areas," he says. "Doing the things that nobody else does. I always look for the gaps. Where can I contribute?"

It was at age 40 that Sim found his cause. He asked himself if he needed to make more money and the answer was in the negative. He had enough money and real estate in Singapore. "I stay in one house and my mother in another. I have rented out three houses and the rent I get is enough for me," he says. "The important thing (in life) is to find meaning. We can earn money but there won't be more of life. The real currency of life is not money. An important motivation to go beyond earning money comes when you ask yourself what you've done for the world. One of the world's richest men, Bill Gates, too did social work."

His mother is Sim's inspiration, though he says she doesn't know much about his work. "She just knows that I'm doing 'toilets' and whenever she sees me featured in a newspaper, she asks the reason and I explain it to her." Sim comes from a poor family, but in the 1960s, his mother was entrepreneurial enough to start her own business. She started off by teaching embroidery to rural women and doing bridal make-up. ◆

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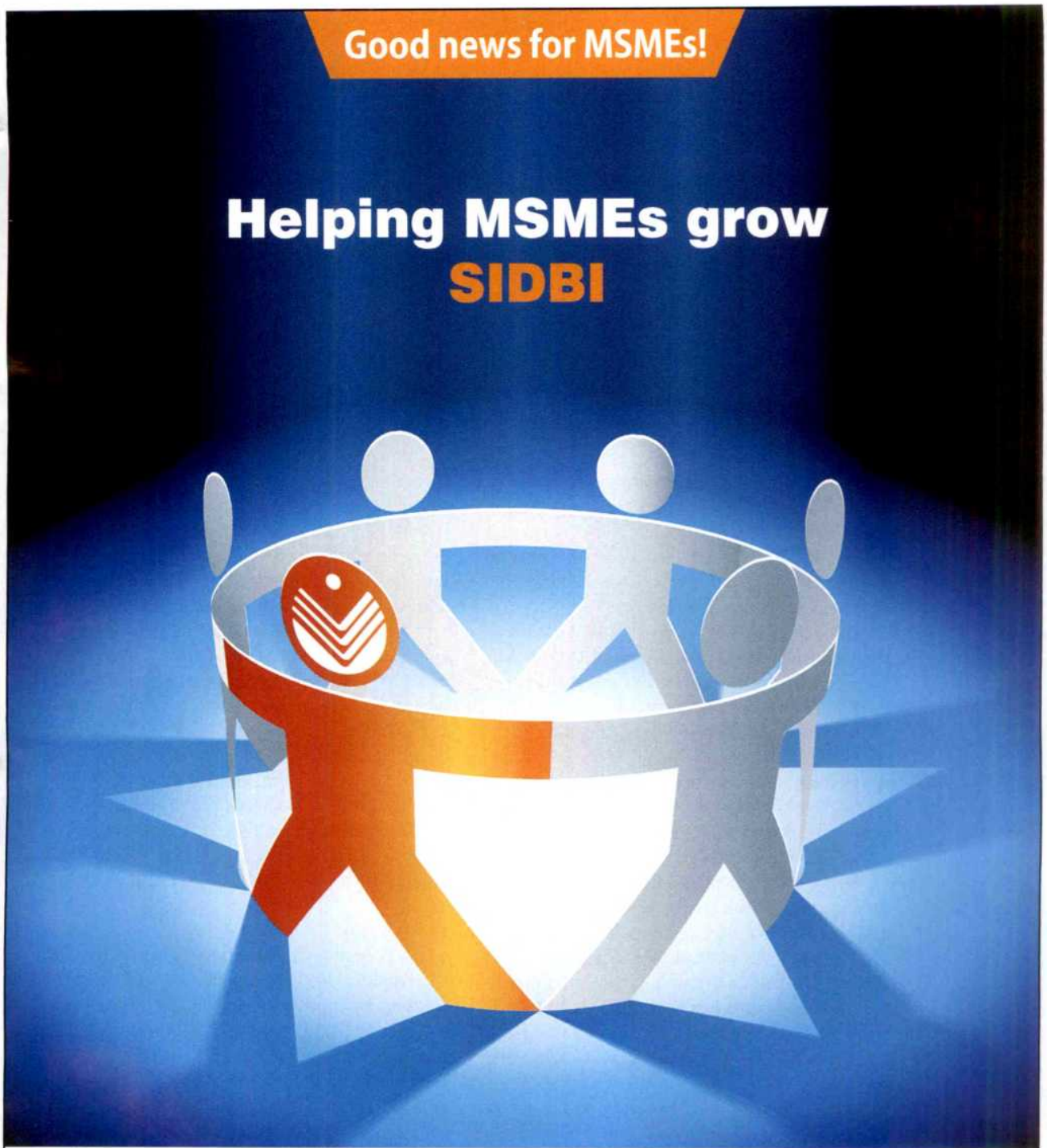

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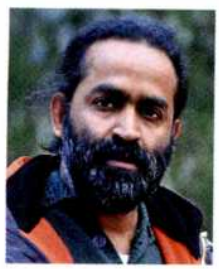


BUDDHA IN THE BOARDROOM

Leadership and Mindfulness

When Richard Alpert left Harvard for the Himalayan foothills, he was looking for a guru who could teach him the ancient secrets of attaining self-realisation. A certain Steve Jobs, too, had left for India to look for the guru, Neem Karoli Baba. But unlike Jobs, Alpert found him, became his disciple and decided to share that ancient secret he learnt. He wrote a book called *Be Here Now*.

That was it. No secret *kriya* to stoke your inner serpent, no tantric initiation into what is left unsaid. All you needed to know yourself was to Be, Here, Now. In other words, being mindful of one's own existence was the ultimate spiritual practice.

Mindfulness is back in vogue. As one's attention is increasingly demanded at every moment by people, work and gadgets that feed into the information revolution, being alert and in touch with oneself is proving difficult. As a business leader, you try to cope with a changing environment and align the top team for the next level of growth. In this fast-paced environment, you realise that a calm, resilient, non-judgmental inner being is the key to success. You learn that the only corner in this universe where you have full control is yourself. This is the reason for the popularity of mindfulness as a concept, tool, and – to a few – as a way of life in the business world.

The popularity of mindfulness as a concept among celebrities and in the business community in the West can be traced to their acceptance of Asian spiritual teachers in the last 50 years. The Beatles visited Rishikesh in 1968 to attend an advanced Transcendental Meditation (TM) training session at the ashram of Maharishi Mahesh Yogi. They considered this one of their most productive periods. The global popularity of TM grew because of the Beatles. The Maharishi was the first guru to copyright a meditation process that focused on the breath and a mantra, and his disciples included Deepak Chopra and Sri Sri Ravi Shankar. In 1967 and 1968, he appeared on covers of magazines such as *Life*, *Newsweek* and *Time*. His popular book, *Science of Being and Art of Living*, emphasised the "being" and "doing" aspects of human existence.

Almost 40 years later, mindfulness is creating waves in corporate corridors. *Time* ran a cover story in January 2014, headlined "Mindfulness Revolution". Thousands of people showed interest in meditation, yoga and mindfulness practices at the Wisdom 2.0 conference, which discusses mindfulness, held in San Fransisco in February 2014.

"The truth is that we do not have the luxury to ignore our well-being, wisdom, ability to make good decisions, because the world is moving so fast that we can no longer be in maintenance mode. Right now, the American workplace is largely run on burnout, sleep deprivation, and exhaustion," says Arianna Huffington, editor-in-chief of The Huffington Post Media Group. The situation is similar in India, except that many Indian organisations are in a growth phase, and long hours at work are justified as part of growth.

Background

In the West, mindfulness is mostly associated with the Buddhist practice of meditation, although the term spans multiple practices, including yoga, guided meditation, focusing on the present moment and breath awareness. Modern teachings on mindfulness are almost exclusively derived from a peculiar 20th century interpretation of the *Satipatthana Sutta*, a Pali text. This doctrine, the *vipassanavada*, says that *satipatthana* is a practice of 'dry insight', in which the meditator, without previous practice of tranquillity meditation, is 'mindful' of the changing phenomena of experience. This is sufficient for enlightenment, according to the text. But the fact is that mindfulness is taught by almost all religions.

Mindfulness is a generic term encompassing a variety of methods that share some common characteristics. It underscores the importance of being mindful about one's thoughts, emotions and actions. It also talks about being in the present moment, rather than being caught up in guilt from the past or worry about the future. It emphasises the

ability to observe one's thoughts and the present moment with detachment.

The tools used are meditation, reflection, yoga, breath work, emotional awareness techniques, and sometimes tools that help you understand yourself better. For example, when General Mills ran mindfulness training for a large number of employees year after year, it used Enneagram to help participants understand their personality type and fixations. Enneagram is a psychological system that describes nine basic personality styles and nine different ways in which people see the world. In India, I have used Enneagram in workshops with clients such as Airtel, Microsoft, and Novartis.

General Mills ranked third in *Fortune* magazine's listing of the Global Top Companies for Leaders; and 12th in *Businessweek's* listing of the Best Places to Launch a Career. One reason it has consistently fared well is that it has aggressively pioneered the use and development of cutting-edge leadership programmes. The Mindful Leadership Program is one of the most popular.

According to Jon Kabat-Zinn, who wrote the book *Wherever You Go, There You Are*, mindfulness is simple awareness of the present moment. It is the practice of paying careful attention to what is happening in the now, whether it is a sight, sound, taste, or smell, and a sensation in the body, thought or emotion. It is observation without attachment or judgment. Jon Kabat-Zinn is Professor of Medicine Emeritus and founding director of the Stress Reduction Clinic and the Center for Mindfulness in Medicine, Health Care, and Society, at the University of Massachusetts Medical School. He and Eckhart Tolly wrote the book *The Power of Now*, which greatly influenced the mindfulness movement. The popularity of the Dalai Lama, and his teachings and celebrity disciples, also helped popularise mindfulness among business leaders.

What is it Doing in Boardrooms?

Bill George, professor of management practice at Harvard Business School and former chair and CEO of Medtronic, writes, "The practice of mindful leadership gives you tools to manage your life. It teaches you to pay attention to the present moment, recognising your feelings and keeping them under control, especially in stressful situations."

Ambiguity, pressure, accountability, and the need to continuously improve performance forces leaders to look inwards. The insight that the success of an intervention is directly proportional to the inner conditions of the intervener suddenly becomes apparent. Many CEOs I coach believe inner calm, emotional stability, greater self-awareness and resilience are traits that create more fulfilment in life. Indian organisations have yet to officially embrace the concept of mindfulness in mainstream business, but many provide stress management and emotional intelligence workshops for employees.

Dr Michael D. Yapko, a psychotherapist and mindfulness advocate, and author of the book *Mindfulness and Hypnosis*, emphasised how trance states can help raise awareness and aid personal transformation. Outside the worlds of glamour and business, too, therapists are using mindfulness tools to help patients recover faster.

Many leadership development programmes teach tools for reflection and self-awareness. Consulting firms such as McKinsey & Co have adopted meditation as a tool in leadership development initiatives. Gita Bellin, formerly secretary to Mahesh Yogi, taught meditation and personal transformation workshops for its employees.

Kate Pickert, writing in *Time*, notes that "we're in the midst of a popular obsession with mindfulness as the secret to health and happiness – and a growing body of evidence suggests it has clear benefits." Zappos CEO Tony Hsieh perhaps summed up mindfulness the best when he wrote: "The biggest (and hardest) lesson I've learned... is that the external world is just a reflection of the world within."

Steve Jobs was a strong believer in mindfulness. "If you just sit and observe, you will see how restless your mind is," he told his biographer, Walter Isaacson. "If you try to calm it, it only makes it worse, but over time it does calm, and when it does, there's room to hear more subtle things – that's when your intuition starts to blossom and you start to see things more clearly and be in the present more. Your mind just slows down, and you see a tremendous expanse in the moment. You see so much more than you could see before."

Indian organisations have yet to embrace the concept of mindfulness in mainstream business, but many provide **stress management and emotional intelligence workshops** for employees

So would Indian leaders and organisations make mindfulness an integral part of leadership development initiatives? Will we see a conference where yogis and CEOs rub shoulders? It's not a lot to ask one to be in touch with oneself. Is it? ◆

Santhosh Babu, a celebrity coach and speaker on leadership, facilitates organisational transformations. This is the first in a series of columns which will continue at businesstoday.in/buddhaintheboardroom

Changing strategies: Essar Energy's Hazira gas-fired power plant. It is being switched to coal due to a gas shortage

PAIN IN THE PIPELINE

The power sector already faces an acute shortage of natural gas. The hike in gas prices from April 1 will compound its problems.

By ANILESH S. MAHAJAN

Isaac George is worried. The finance chief of GVK Power & Infrastructure is concerned about two gas-based power plants in Andhra Pradesh. The plants, Gautami and Jegurupadu-1, have a total generation capacity of 700 megawatt (MW) but have been idle for more than a year. "The plants are shut due to non-availability of gas. Our problems will deepen with the new price increase [that takes effect April 1]," he says. "We are in distress."

Falling supply and rising prices of natural gas have left many power companies in a state of distress. State-run NTPC, the country's biggest power producer, as well as private-sector companies such as GMR Group, Lanco Infratech and Essar Energy are all facing the same problems. Overall, more than half the country's total gas-based generation capacity of 19,000 MW is under-

utilised due to low fuel supply. Industry executives fear the remaining capacity will also be rendered economically unviable due to the forthcoming hike in gas prices.

Currently, the administered price of gas is $4.2 per million metric British thermal units (mmBtu). From April, gas prices will be linked to international benchmarks. The new price is likely to be about $9 per mmBtu. Petroleum Minister Veerappa Moily says higher prices will boost gas output. But power producers have yet to buy into his reasoning. The average gas output in 2012/13 was 106 million metric standard cubic meters a day (mmscmd). The power sector received 25 mmscmd of gas during the year, far short of the 88 mmscmd it needs to run all gas-based plants at full capacity. The worst affected were those allocated gas from Reliance Industries Ltd's (RIL) D6 block in the Krishna Godavari basin where output dropped sharply. Power Minister Jyotiraditya Scindia told *Business Today* in January the government was committed to resolving power producers' problems but there were "no immediate solutions" to offer.

₹5

Likely per unit cost of power generation if gas is priced at $9 per mmBtu, versus up to ₹3 for coal-fired plants

According to back-of-the-envelope calculations, at current exchange rates every $1 of gas price translates into half a rupee of power generation cost. Assuming the new price of gas at $9 and adding another dollar as transportation expense, the generation cost will be ₹4.5 to ₹5 per kilowatt-hour, or one unit of electricity. This will make gas-fired plants costlier to operate in comparison with coal-fuelled stations. According to data from the Central Electricity Authority (CEA), the technical wing of the power ministry, the cost of electricity generated from coal is as low as 70 paise to ₹3 per unit.

Controversial Formula

At the heart of the problem is a new formula to calculate the price of gas. The Union Cabinet approved the formula in June last year and notified the related guidelines in January. The formula was suggested by a committee led by C. Rangarajan, head of the Prime Minister's Economic Advisory Council. According to the new method, the price of locally produced gas will be calculated on the basis of weighted averages of the price India pays to import liquefied natural gas and prices in the gas hubs of the US, UK and Japan.

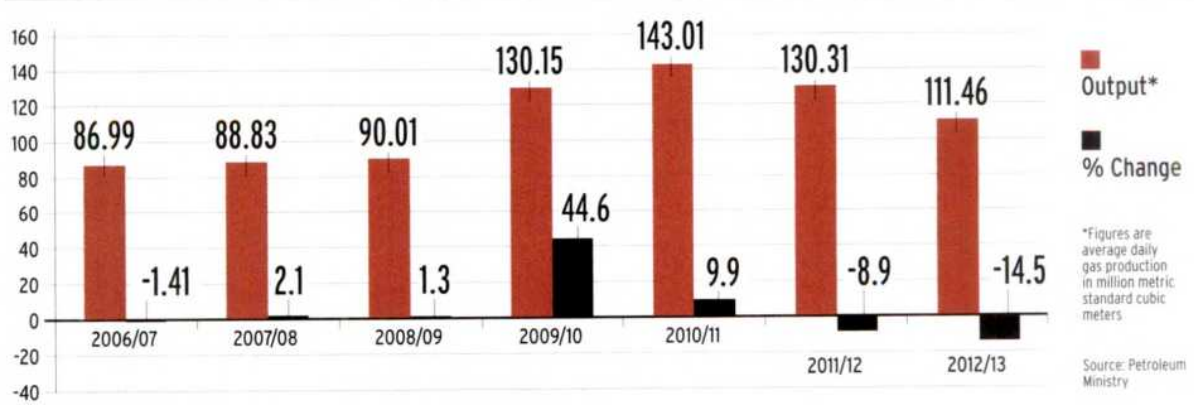
N.K. Verma, Director of Exploration at state-run Oil & Natural Gas Corporation, backs the formula. "Gas prices had to be increased. Otherwise, we are not in a position to bring in new gas finds. We find the formula very comprehensive," he says. Ajay Arora, oil and gas leader at consultancy Ernst & Young India, says the formula is "a little aggressive" but will encourage explorers to develop more fields. Daniel Yergin, a Pulitzer Prize-winning author and Vice Chairman of energy research firm IHS, told *BT* the formula will encourage international energy players to invest in India.

Senior Bharatiya Janata Party leader Piyush Goyal says, however, the formula was not developed in a transparent manner. Communist Party of India leader Gurudas Dasgupta has challenged the price hike in the Supreme Court. The controversy peaked on February 11 when Arvind Kejriwal, chief minister of Delhi at the time, recorded a police complaint against Moily, former oil minister Murli Deora and RIL Chairman Mukesh Ambani for allegedly colluding to increase gas prices. Both Moily and RIL have refuted the allegations.

Kejriwal's move might have been aimed at earning some political brownie points, but even energy industry experts say the formula has some flaws. They say the most dominant factor in the formula is the Japan Crude Cocktail (JCC) price, which Tokyo uses to calculate the price of imported liquefied natural gas (LNG). An energy sector analyst, who refused to be named citing the sensitivity of the issue, says it is strange that India is using the JCC when Japan is de-linking it from its LNG imports. Also, the JCC has been factored twice be-

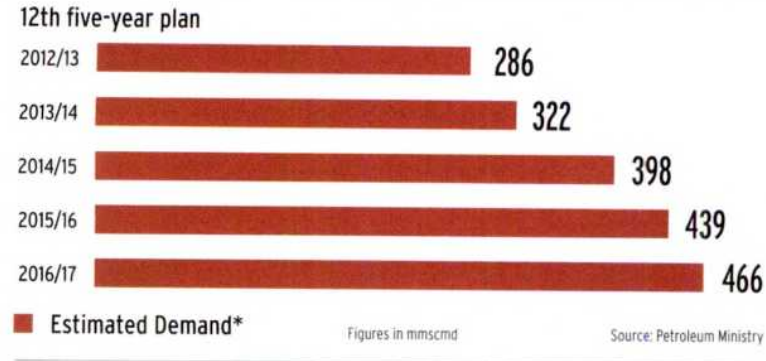
ON THE DECLINE

Domestic gas output has fallen in the past two years after peaking in 2010/11



ON THE RISE

Demand for natural gas in India is expected to surge in coming years



cause it is already linked to the price India pays to import LNG from Qatar. Besides, the CEA has also objected to the new pricing system. It says that while gas prices will be revised quarterly, electricity tariffs are fixed annually. "Even if companies want to use gas, this [system] will make it more difficult," says a senior CEA official.

Short Circuit

Power producers say they will feel the pinch of the gas price hike even though they are allowed to pass through the cost of fuel to buyers. "We are not finding buyers for electricity generated at $4.2 per unit of gas. How can anyone expect us to get customers at more than double the price?" asks a top NTPC executive, who does not want to be named. A senior executive at Lanco Infratech agrees. "When it comes to merit order dispatch, we are bound to lose in comparison to coal," he adds, referring to a mechanism followed by grid operators where they ask expensive power plants to shut first when demand falls. The problems had prompted Lanco to try and sell its gas-fired power plants but it has not been able to find any buyers.

To help electricity producers, the power ministry in February proposed a subsidy package. In a cabinet note circulated to several ministries including finance and petroleum, the power ministry suggested doling out ₹6,000 crore to state-owned distribution companies to help them buy expensive electricity generated from gas-fired plants and sell it at a discount. The note recommended subsidies for two years – ₹3,500 crore for 2014/15 and ₹2,500 crore for the year after. The proposal did not go through because of a lack of consensus among the ministries. "We kept on hearing several proposals to cushion mounting prices, but nothing materialized," says the NTPC executive quoted earlier. NTPC has the biggest portfolio of gas-based capacity – 6,400 MW – in the country.

While most companies are still trying out to come up with a solution, Essar Energy has taken a unique – and drastic – step. On June 24 last year, the company said in its earnings press release that it is converting two of its gas-based power plants into coal-fired stations. "We were forced to run our plants at less than 25 per cent of capacity because of low gas availability from domestic sources," says K.V.B. Reddy, who heads Essar's power business.

The task of switching to coal is not easy. Coal-fired plants are more complex than gas-fueled ones, as they require a setup to handle the dry fuel and dispose off ash, besides changing the mechanism to generate heat to run turbines. Moreover, the switch to coal will reduce the combined capacity of the two Essar plants, at Hazira and Bhander in Gujarat, to 430 MW from 1,015 MW. But Reddy is convinced it's the right decision. "We have done our calculations. The new price of gas would make us unviable," he says. Reddy says executives at many companies spoke to him about the company's "innovation". "[They] are probably waiting to see our experience," he says. GVK's George is one of them. "It is not an easy solution to implement. Let's see how Essar implements this. We may learn something," he says.

Deepak Amitabh, Chairman and Managing Director of power trading firm PTC India, says encouraging open access could be a solution for gas-fired plants, as this would allow a consumer to buy electricity from any supplier in the country even if is priced higher. Kameshwara Rao, Partner and Leader of PricewaterhouseCooper's energy practice, agrees but says states levy a heavy surcharge on open access transactions that make them unviable. Rao says the surcharge must be abolished but that would require an amendment to the Electricity Act, a tough task that depends on reaching a political consensus.

While power producers will face the brunt of the gas price hike, some other sectors also will be affected. A recent Citibank report projects that the price of gas allocated to city-gas distribution companies will increase by ₹13 per kg from April. The government will also have to fork out a higher subsidy for the fertiliser sector. The fertiliser ministry estimates that for every $1 increase in gas prices, the government will have to pay ₹3,155 crore to stabilise the price of fertiliser for farmers. Any decisions to help these sectors will now be taken by a new government after general elections that end in May. Until then, at least, there is little hope of a turnaround in the fortunes of these industries. ◆

88

MMSCMD

Gas needed to run all gas-based power plants. The power sector got just 25 mmscmd in 2012/13

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For slideshows and video interviews with some of the founders, go to www.businesstoday.in/startups-2014

India's Coolest Start-ups

It is a good time to be an entrepreneur. There are mentors and accelerators, a growing tribe of angel investors and venture capitalists, investment banks waiting to spot the next acquisition target, and a large domestic market. And as Sanjeev Bikhchandani, Founder of Naukri.com, would tell you, a start-up now is more socially acceptable in India than 25 years ago. *Business Today* regularly reports on this changing landscape, and since 2007 has been showcasing promising, or cool start-ups every year. Our correspondents are always on the prowl for interesting companies. Those featured in previous years were based on their recommendations and the collective judgement of the editorial team. This year, however, we took a new approach. We opened up the selection process – any start-up incorporated since January 2010 could apply through an online application form hosted on our website. Some 96 companies applied. In addition, some names were suggested by the jury members, and some came from the newsroom. Of these, the final list of 16 'coolest start-ups' was picked by an illustrious jury, men who know everything about the business of starting, funding and running companies. Mohit Bhatnagar, MD of Sequoia Capital; Saurabh Srivastava, angel investor and venture capitalist; Vijay Anand, Founder and CEO, The Startup Centre; Sharad Sharma, Governing Council member and Co-founder, iSpirt; and Prashanth Prakash, Partner at Accel, debated all the applications threadbare. They recused from voting on companies they are or were involved in. The chosen ones, the companies featured here, are an interesting mix spanning technology, e-commerce, entertainment, logistics, toys and gaming, among other sectors. Is there a Flipkart, Zoho, InMobi and QuickHeal in the making among them? Sharma, in his column (page 90), maintains it is bloom time, at least for Indian software product start-ups.

OUR JURY

Mohit Bhatnagar
MD, Sequoia Capital

Prashanth Prakash
Partner, Accel

Vijay Anand
Founder and CEO,
The Startup Centre

Sharad Sharma
Governing Council member
and Co-founder, iSpirt

Saurabh Srivastava
Angel Investor and VC

NAME
Heckyl Technologies

AREA OF BUSINESS
News analytics and financial information platform

YEAR OF INCORPORATION
2010

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

COOL QUOTIENT
Built software that identifies the sentiment around a stock

Measuring Sentiment

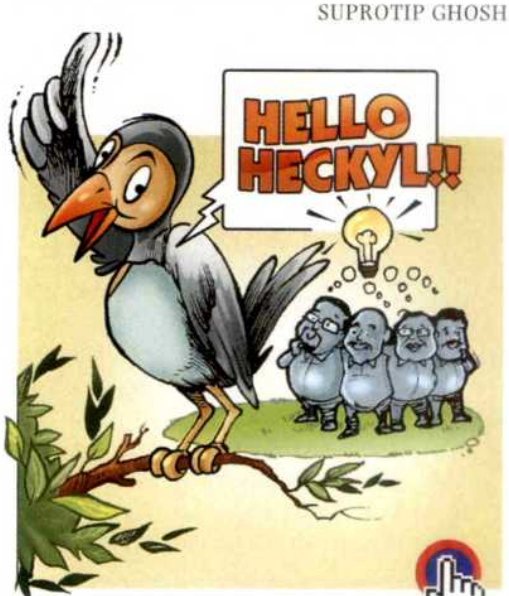
New context to news: Co-founders Mukund Mudras (left) and Abhijit Vedak pose at their office in Powai, Mumbai

Market sentiment is difficult to measure, but useful to traders and investors. What if there was a software that could tap into the chaos of the marketplace and measure the sentiment around individual stocks? And news and views, too? Seems impossible? Heckyl Technologies' FIND software does exactly that. Towards the end of 2010, a year when the Sensex recovered from its low of 17,000 to cross 20,000, four former employees of Merrill Lynch Technologies – Som Sagar, Abhijit Vedak, Jaison Mathews and Mukund Mudras – founded Heckyl Technologies, named after a bird "which can count numbers, differentiate between objects and when the time comes, take complex decisions", says Mudras, Co-founder and CEO.

FIND rates news items (and views, too) based on the credibility of the source, then scans each word and identifies a sentiment, and combines the two to generate a colour code – red, green and grey denoting negative, positive and neutral respectively. On the computer screen, the trader sees these colour codes for each feed, and for individual stocks as well. Says Keshav Samant, Director and Chief Information Officer (CIO), Religare Enterprises Ltd: "Immediately you appear smarter before the customer."

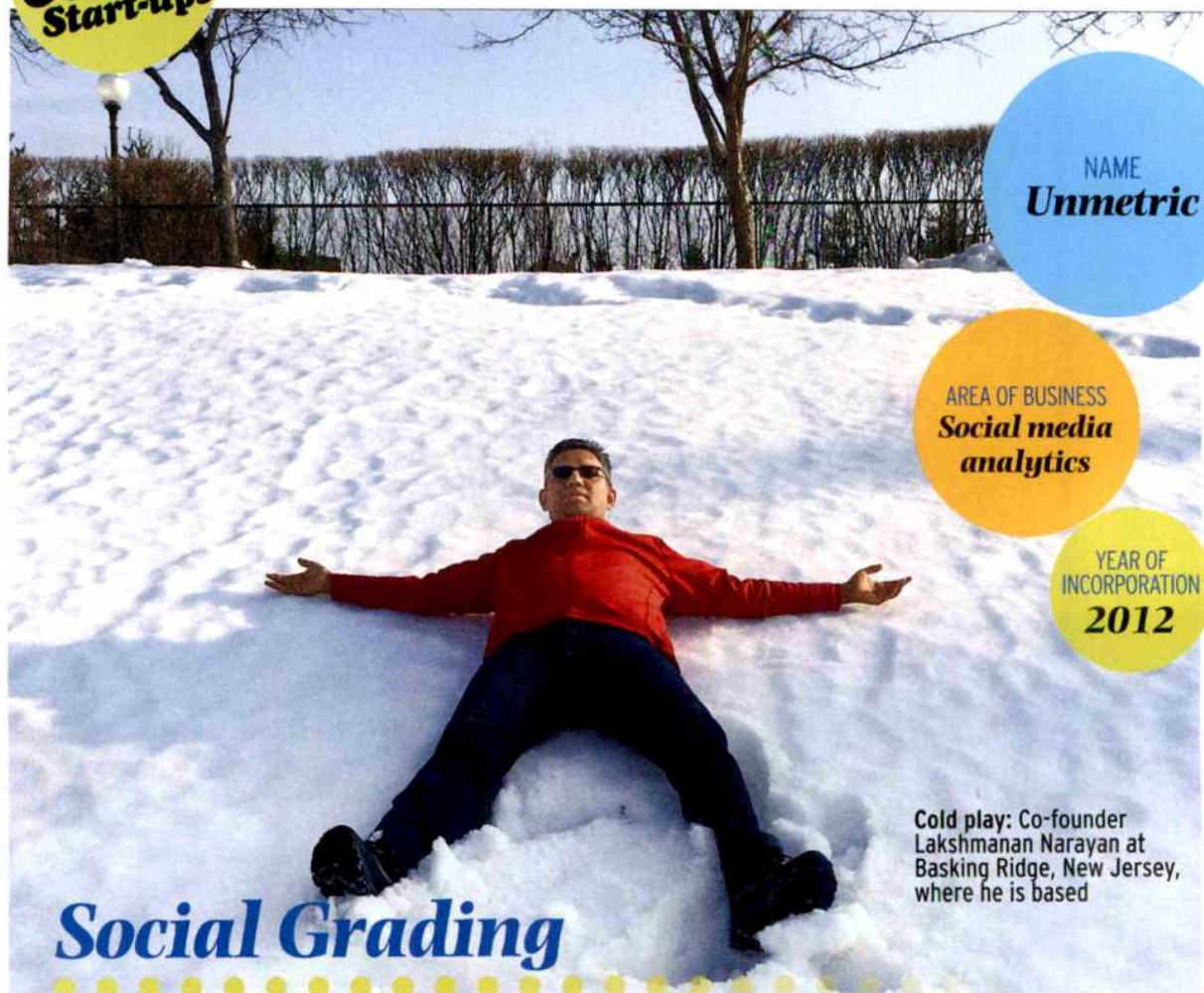
So far, Heckyl has received about ₹27 crore in funding. The company generated revenues of ₹1.4 crore in 2012/13 and is expecting to grow 300 per cent this year. Next stop for Mudras and gang – international markets. ◆

SUPROTIP GHOSH



To find out how Heckyl rates different sources on credibility, and read its journey in a comic strip, go to www.businesstoday.in/startup-heckyl

India's Coolest Start-ups



NAME
Unmetric

AREA OF BUSINESS
Social media analytics

YEAR OF INCORPORATION
2012

Cold play: Co-founder Lakshmanan Narayan at Basking Ridge, New Jersey, where he is based

Social Grading

The battle for hearts and minds has moved to social media. Brands need to know where they stand *vis-a-vis* competition on Facebook, Twitter, YouTube, LinkedIn, Instagram or Pinterest," says Lakshmanan Narayan, Co-founder and CEO of Unmetric, a social media benchmarking start-up.

Co-founded by three IIT Madras classmates – Narayan, Kumar Krishnasami and Joe Varghese, all US-based now – Unmetric, with 70-plus mostly Chennai-based employees, fuses its 100 servers on Amazon Cloud to sift through the web and pull out data on 15,000 brands across 30 different sectors. (Bangalore-based Frrole, another of our coolest start-ups, sifts similarly through Twitter, see page 80.) This information is not simply collated and shared, but interpreted for customers. "Social media has turned the communication brands engage in from a monologue to a conversation. Unmetric provides them the intelligence needed to be a lot smarter and embrace the conversation economy," says Narayan.

Unmetric does not provide basic information such as the number of visits to a client's social media page, the bounce rate or the quantum of unique visitors, but three dimensions of competitive intelligence. Channel Intelligence offers interesting insights, such as, say, the average response time by US airline companies on Twitter – 12 minutes. Airline companies can compare this data with their own response times. Each brand, on average, does 30 Facebook posts, 100 tweets, posts 12 pictures on Instagram and uploads three videos on YouTube monthly. Content Intelligence tells clients how these are received. A brand also typically launches at least six social media campaigns every month and Campaign Intelligence helps unearth their effectiveness. "None of Unmetric's competitors offer this type of service. They offer, at best, some elements of what we do," says Narayan. ◆

N. MADHAVAN

COOL QUOTIENT
Spots hidden patterns in social media data for brands

To find out who funds Unmetric and who its leading customers are, go to www.business-today.in/startup-unmetric

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Canvas Turbo mini

POWERFUL CAN BE PETITE

Loaded with features yet light to hold, the Canvas Turbo Mini is synced to speed. With a slender aluminium body weighing 110g and powered by a 1.3GHz Quad Core processor, the Turbo Mini is thinner, faster and lighter. The stunning 11.9cm HD IPS screen brings pictures and videos to life while the Camerazzi camera takes breath-taking panorama pictures. It's powerful technology that fits in your hand.

Vital Stats

- Weight - 110 grams
- Thinness - 7.8mm

Display

- 11.9cm (4.7) HD IPS Screen

Performance

- 1.3GHz Quad Core Processor
- 1GB RAM

Operating System

- Android 4.2.2 (Jelly Bean)

Camerazzi Camera

- 8MP Rear Camera / 5MP Front Camera
- Vertical & Horizontal Panorama
- Cinemagraph - Animate your still photographs (.gif)
- Object Eraser - Erase unwanted objects from your still pictures

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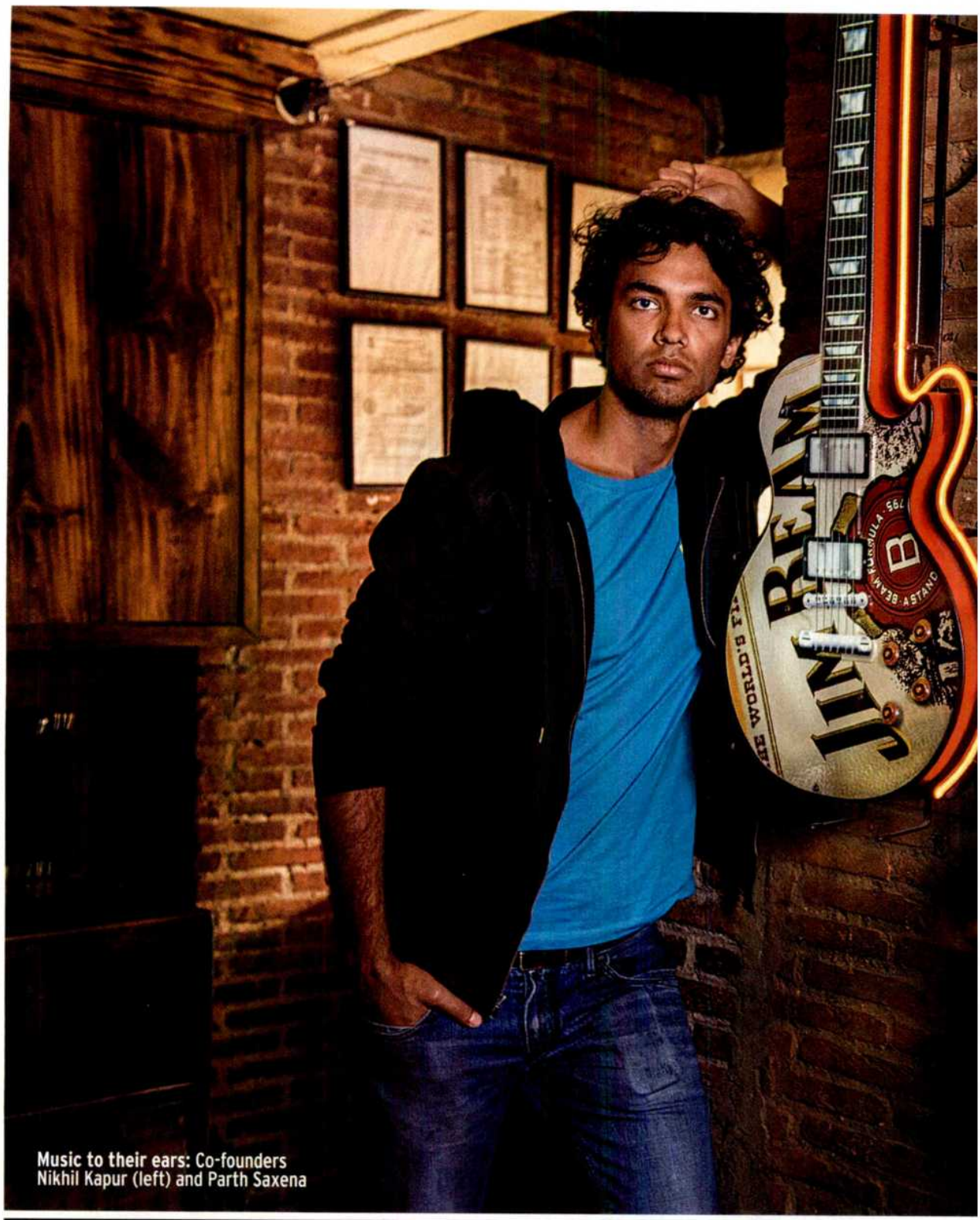


PHOTO: VIVAN MEHRA; LOCATION COURTESY: THE OTHER SIDE RESTAURANT

Music to their ears: Co-founders Nikhil Kapur (left) and Parth Saxena

COOL QUOTIENT
Matches artistes to venues

To find out how TommyJams uses crowd-funding to help bands tour different cities, go to
www.business-today.in/startup-tommyjams

Banding Together

The idea struck techies Parth Saxena and Nikhil Kapur one evening in 2011 as they watched a band perform at a Hard Rock Café outlet in Hyderabad. Impressed, the duo felt the band could do so much better if it had better access to venue managers who book artistes for performances. Thus was born TommyJams, a tech platform that connects performing artistes – big and small – with pubs, bars, malls or cafes, where performances happen.

With some help from Microsoft Ventures Accelerator in Bangalore, the duo took off. In two years, TommyJams has more than 900 music bands registered with it. "Most are run by guys between 17 and 30, mostly college students and young professionals," says Saxena, Co-founder.

NAME
TommyJams

AREA OF BUSINESS
Live entertainment

YEAR OF INCORPORATION
2012

"It's a new-age marketplace," adds Mukund Mohan, Director, Microsoft Ventures India. Venues – mostly bars or cafes – launch their forthcoming events on the site, with details on artistes required, payment, etc. Artistes respond by applying. The venue manager then takes his pick. Says Aman Mahajan of jazz band *Refuge*: "The platform helped us discover a range of venues, some we didn't have direct connections with earlier."

Income comes from the 20 per cent commission they charge out of the fee paid to the artiste by the venue. Currently making ₹4 lakh in revenues per month, TommyJams wants to pull up to an ambitious million dollars per annum in a year or two. It is also shaping up to go global. ◆

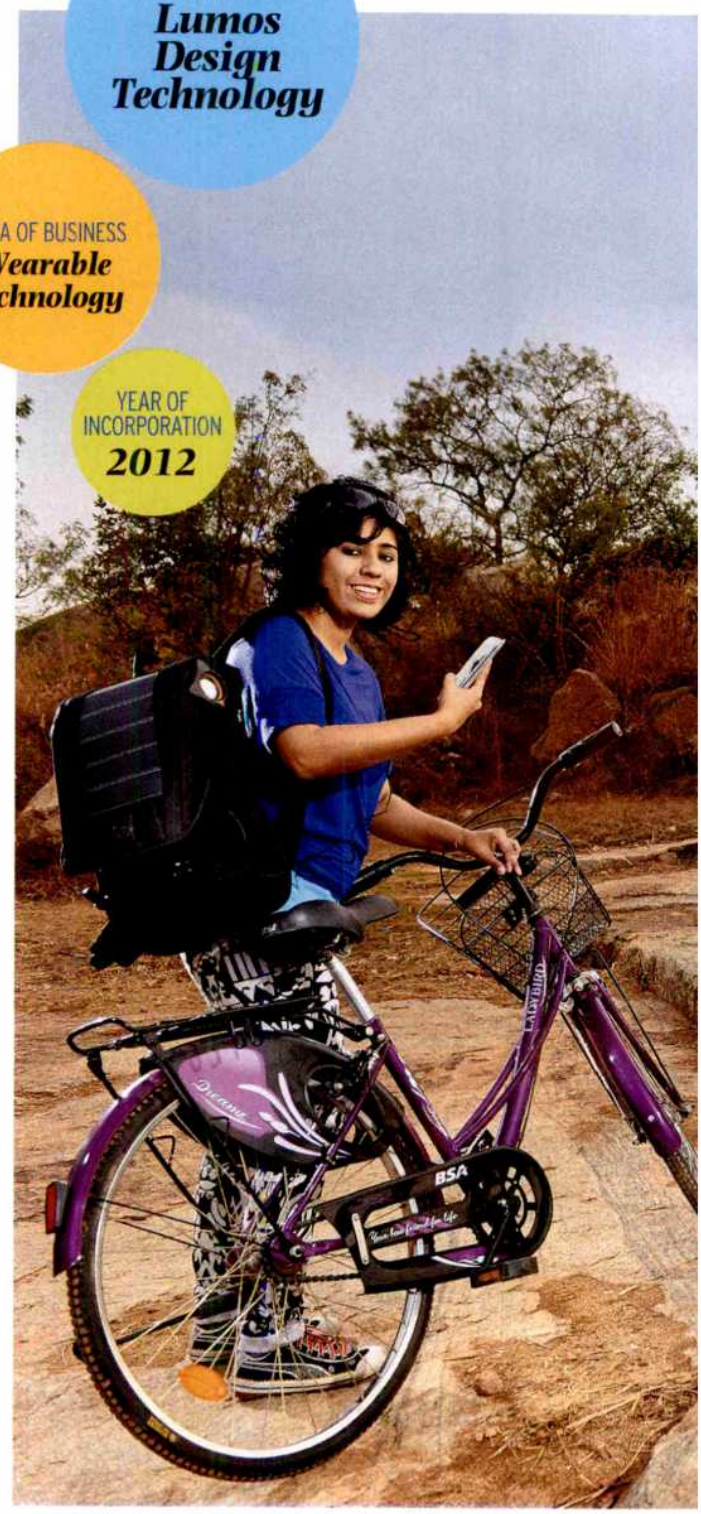
TASLIMA KHAN

NAME
Lumos Design Technology

AREA OF BUSINESS
Wearable Technology

YEAR OF INCORPORATION
2012

A Place in the Sun



Gandharv Bakshi was frustrated. The ex-Tejas Networks employee and IIM-Bangalore alumnus was irked with the way his phone battery kept dying frequently during his travels. The solar charger he carried was bulky and difficult to handle. His wife, Lavina, a fashion designer, offered a solution. She stitched the solar charger onto his backpack. And so was born the idea of Lumos Design Technology, a start-up focused on designing and making backpacks with built-in chargers which charge using solar power. "A backpack that can merge with one's lifestyle," says Gandharv.

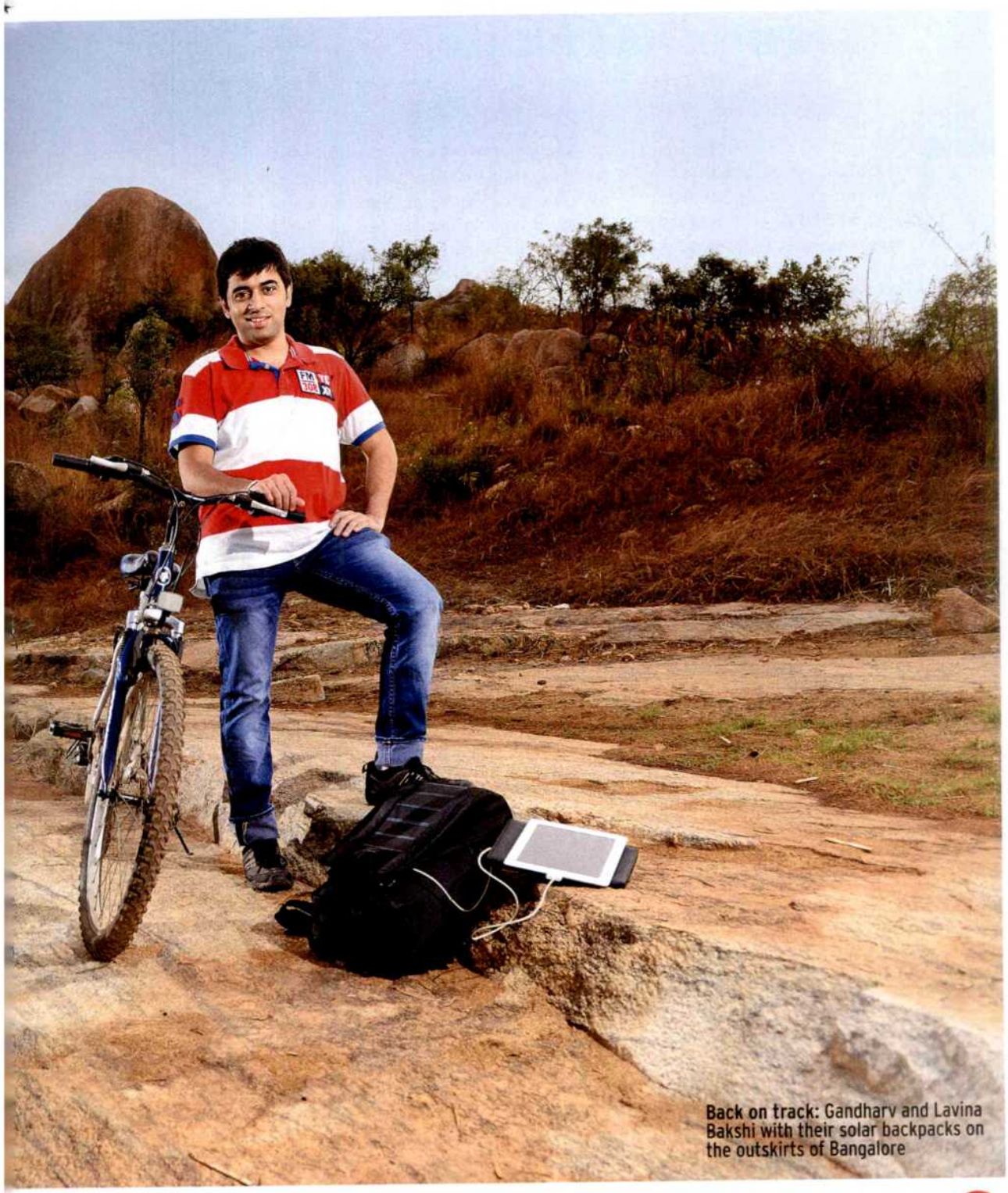
The backpacks use a rectangular piece of solar fabric – a thin film of solar cells fused together – with a battery fitted inside. This generates solar power, which can then be fed to a phone or laptop through any USB. The use of solar fabric – instead of solar panels – makes the bags light and flexible.

Currently, Lumos targets a small market. "Though the overall backpack market is around ₹6,000 crore, we decided to focus on bikers and cyclists who travel long distances without access to power sources," says Gandharv. "This would be a ₹12 to ₹15 crore market taking just the cities of Mumbai, Bangalore and Chennai." Why doesn't he scale? "For a start-up, reaching the mass market can be incredibly costly," he says. Besides, the solar backpacks, costing around ₹5,000 are not mass market anyway.

It's early days yet for Lumos. The company has garnered sales of ₹1.9 lakh since the product's commercial launch in January this year. Lumos is trying to increase sales by tying up with employee rewards companies and listing on Snapdeal. ◆

TASLIMA KHAN

COOL QUOTIENT
Designs lifestyle products, especially solar backpacks



Back on track: Gandharv and Lavina Bakshi with their solar backpacks on the outskirts of Bangalore

NILOTPAL BARUAH/www.indiatodayimages.com

Which bicycle shop in Bangalore did Lumos sell its first solar-powered backpack to? Find out at www.business-today.in/startup-lumos

Delivering the Goods

NAME
Delhivery

AREA OF BUSINESS
Logistics, fulfilment for e-commerce firms

YEAR OF INCORPORATION
2011

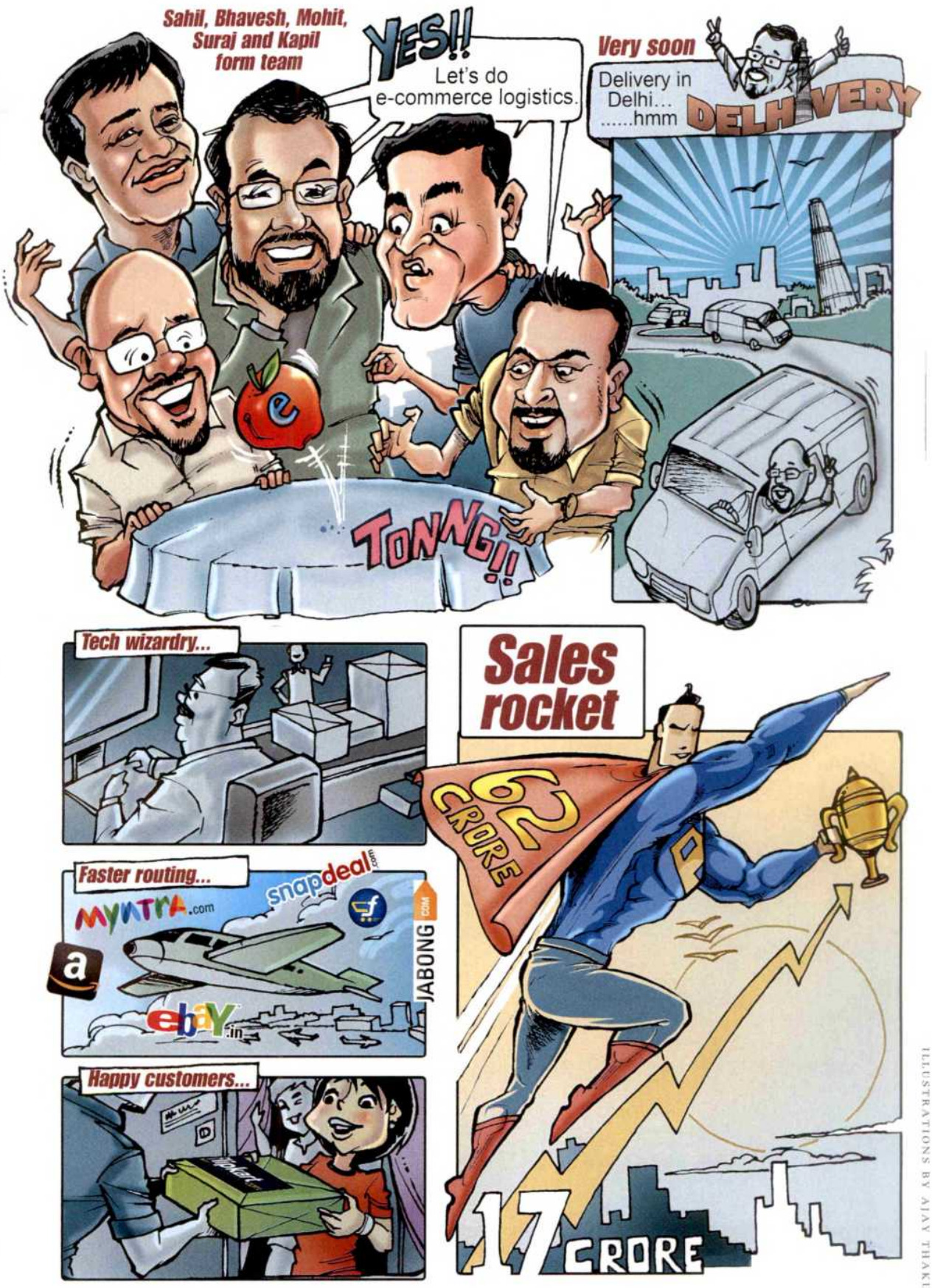
Around 2011, Sahil Barua, Mohit Tandon, Bhavesh Manglani, Suraj Saharan and Kapil Bharati decided they would start a company together. They were late in the e-commerce retailing game, but saw a market need in logistics. E-commerce companies either had their own delivery arms, such as Flipkart, or used courier companies more geared to document delivery or bulk cargo.

As the name indicates, Delhivery started as a third-party, last-mile logistics delivery firm in Delhi to serve e-commerce companies alone. "We spent the first six months bootstrapping with our own money," says Barua, Co-founder and CEO. "Chennai was the first city outside Delhi to which we went. We were doing about 600 orders a day at that point."

The order cycle used to be four to seven days for customers before Delhivery's own fulfilment centres became operational. Today, it can be as low as 24 hours, Barua claims. The company seems to have positioned itself well on the pricing front as well. "We are cheaper than Bluedart and FedEx, but more expensive than some of the smaller players," says Barua. It now delivers 40,000 to 50,000 orders a day and has customers such as Flipkart, Snapdeal, eBay, Amazon, Myntra, Jabong and Healthkart, among others. Employing 3,000 people, it has expanded to 135 cities and towns. Revenues have rocketed too – from ₹17 crore in 2012/13 to ₹62 crore this year. Currently, monthly revenue is around ₹8 crore to ₹8.5 crore. Delhivery expects to break even by September this year. ◆

GOUTAM DAS

COOL QUOTIENT
Supply-chain enabler, rising rapidly



ILLUSTRATIONS BY AJAY THAKURI

Coolest Start-ups

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Game for more: Co-founders Rohit Gupta and Anuj Tandon (in the green sweatshirt) playing their new game 'Dance Party' at Gupta's residence in Pune

Work Is Play

Why did Apple invite the founders of Rolocule to Cupertino? Find out at www.businesstoday.in/startup-rolocule

Giants are being challenged by two 30 year olds – Rohit Gupta, Founder and CEO of Pune-based Rolocule Games, and Anuj Tandon, Co-founder and COO. With its Rolomotion technology, for which it had applied for patents in the US and India last year, Rolocule is targeting the market share of – hold your breath – Nintendo Wii, Sony's PlayStation and Microsoft's Xbox, to give gamers the experience on their iPhones.

Rolomotion uses the iPhone's in-built power and features and converts them into a gaming console and controller. "If you want to play Motion Tennis or Dance Party TV, you don't need to buy a Nintendo Wii, PlayStation, or Kinect," says Gupta.

About 90 per cent of the company's games – including best sellers such as Super Badminton for the iPhone – are currently paid games. A cautious approach towards hiring and other spends has helped the company remain profitable. However, Rolocule is gradually working towards a free-to-play model, where it will provide the games free of cost, while charging for in-app purchases for virtual items.

"These guys know how to keep themselves self sufficient," says Karthik Reddy, Co-founder and Managing Partner of Blume Ventures, a Mumbai-based early-stage seed fund that has invested in the company. "If the next game hits off, they might not even need the next round of funding." While the company is already associated with Apple for the technology, it is now aiming at Google's Android platform – and thereby other smartphones – as well. ◆

ARPITA MUKHERJEE

NAME
Rolocule Games

AREA OF BUSINESS
Mobile gaming

YEAR OF INCORPORATION
2010

COOL QUOTIENT
Provides games that need play stations, on your iPhone

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What sets Citrus apart from other payment solutions companies? Find out at www.businesstoday.in/startup-citrus

Quality Pays

The wow feeling: Co-founders Satyen Kothari (left) and Jitendra Gupta at their office in Santacruz, Mumbai

NISHIKANT GAMRE/www.indiatodayimages.com

NAME
Citrus Payment Solutions

AREA OF BUSINESS
Payment solutions provider

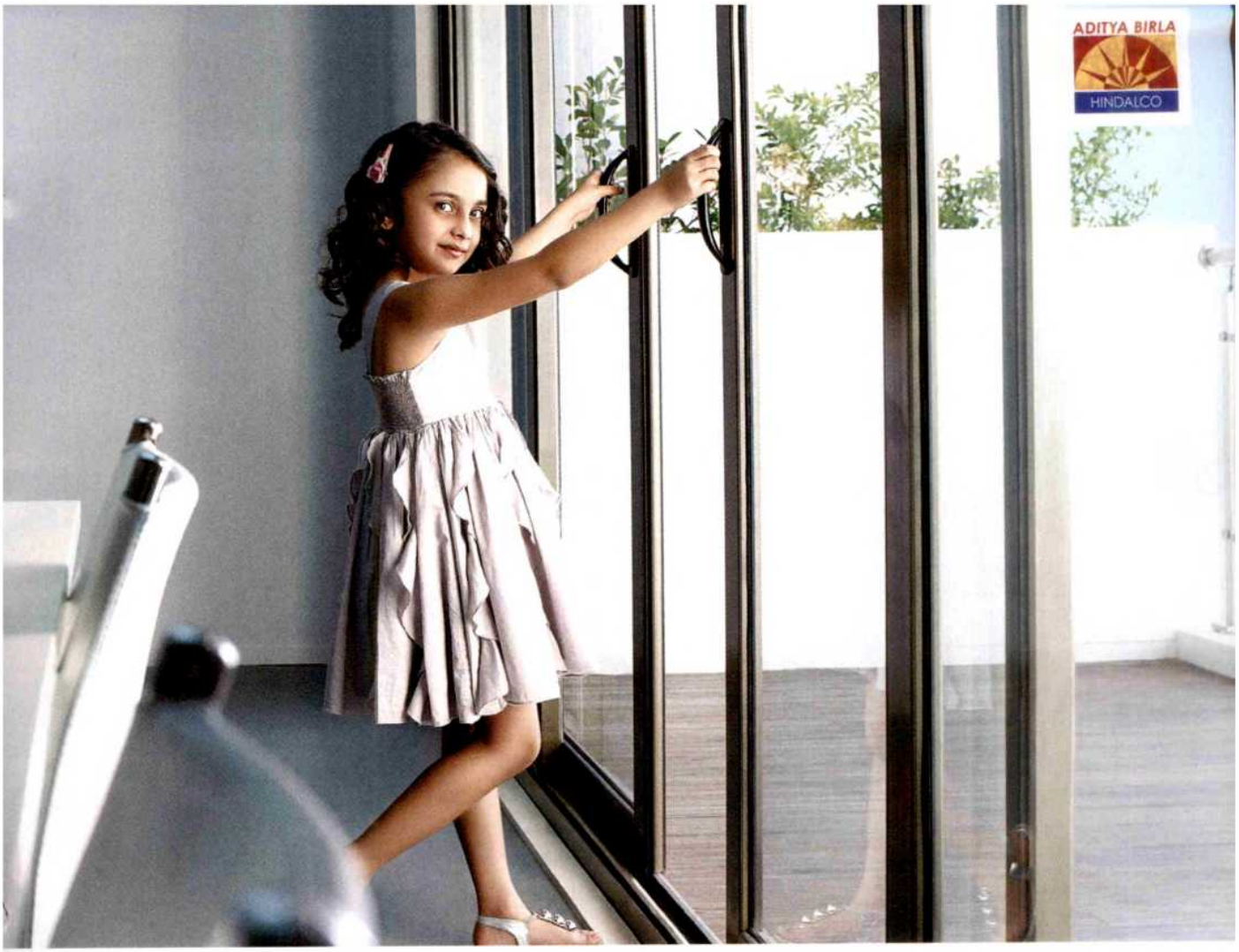
YEAR OF INCORPORATION
2011

The next time you use a Meru Cab, you will not have to pull out your wallet to pay the driver. All you will need is a mobile phone and a Citrus Payment Solutions app that will allow you to transfer money – from ₹1 to ₹10,000 – to the radio-taxi operator. "The idea is that customers should make the payment in a shorter time than it takes to remove money from the wallet," says Citrus Chairman Satyen Kothari, who founded the company along with Jitendra Gupta in April 2011 and brought in the initial funding of ₹16 lakh. He says they wanted to solve the many problems associated with online payment gateway systems, offering a more efficient alternative. Adds Gupta, CEO of Citrus: "It is all about moving from a *chalta hai* attitude to wow. There was nothing wrong with the Nokia phone, but people shifted to Apple and Samsung. It's all about that wow feeling."

Citrus has doubled its revenue in the past five quarters. For the quarter through March, it will post revenues of about ₹3 crore. It is currently losing money due to rapid expansion, but has become one of the top three players in the payment gateway solutions market with eight to 10 per cent share. It has attracted investors, including venture capital fund Sequoia Capital, Japanese online payment company Econtext Asia and Beenos Asia, a unit of Japanese e-commerce firm Netprice. "Online payment in India is still not consumer friendly. There is a lot of pain," says Mohit Bhatnagar, MD at Sequoia. "Citrus is built in India for India." ◆

MAHESH NAYAK

COOL QUOTIENT
Speed is its credo in online payments



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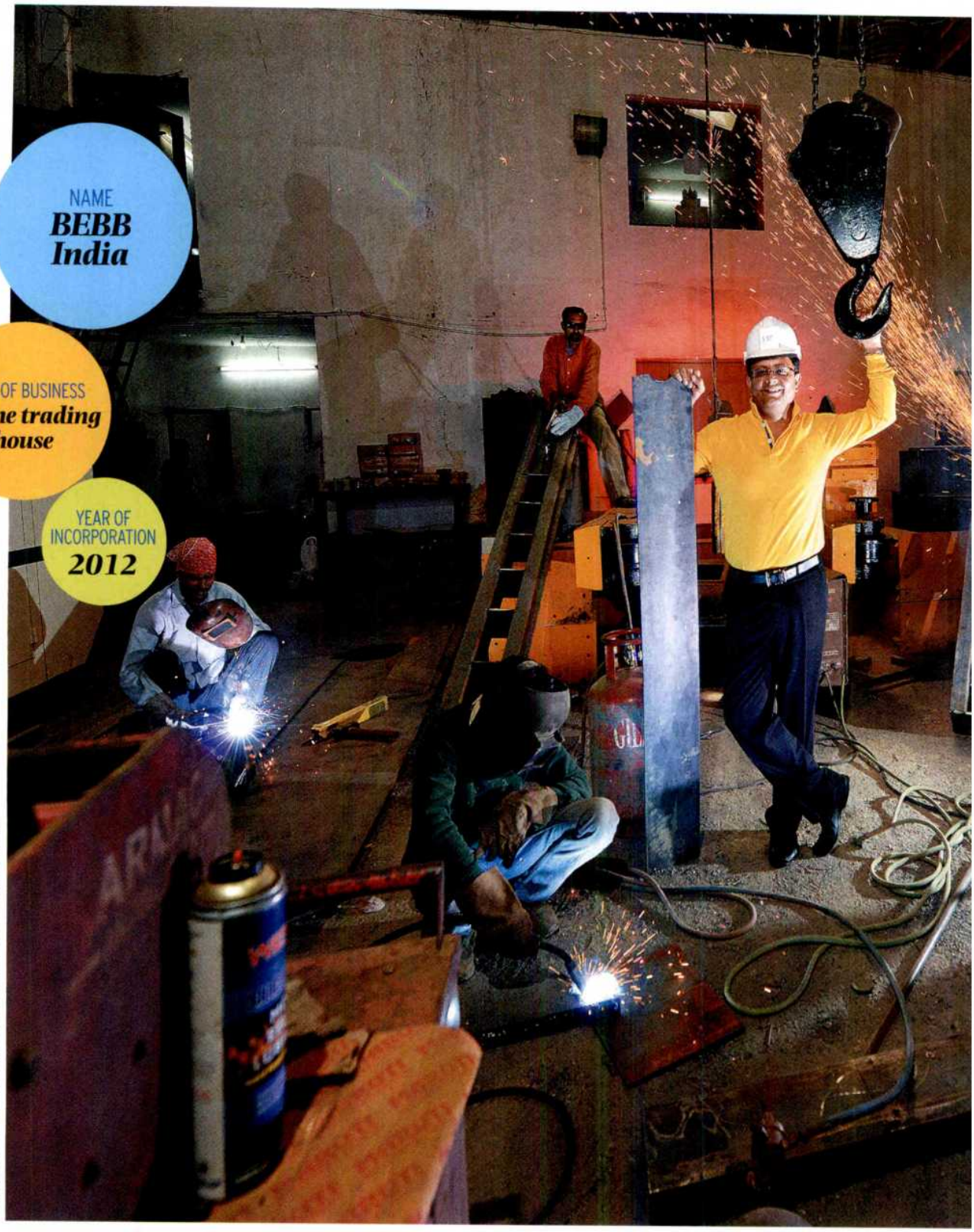


NAME
BEBB India

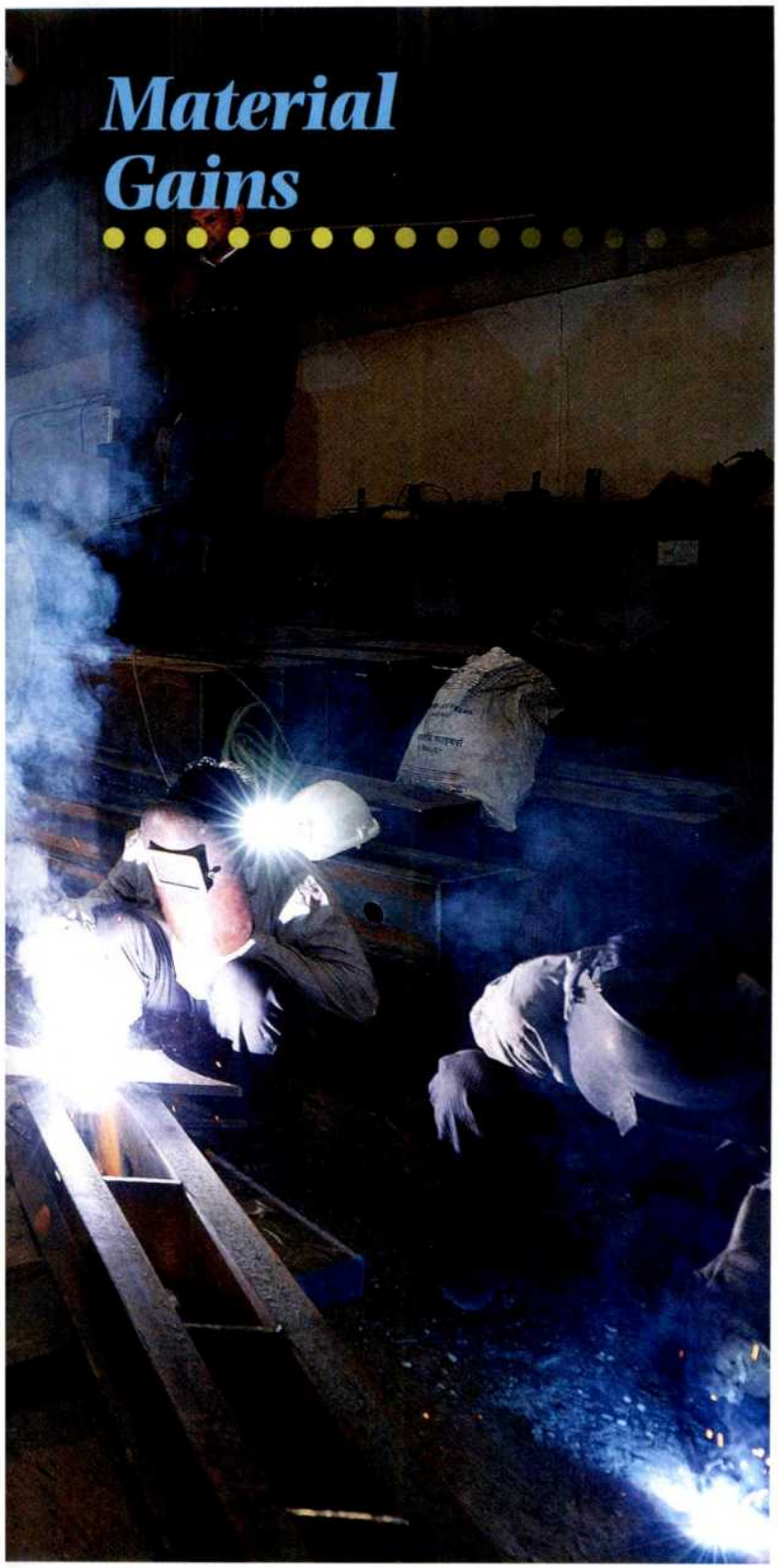
AREA OF BUSINESS
Online trading house

YEAR OF INCORPORATION
2012

SHEKHAR GHOSH/www.indiatodayimages.com

COOL QUOTIENT
Makes raw material purchase cheaper for SMEs

Material Gains



Spark plug: BEBB founder R. Narayan's Power2SME buys and sells raw material online to small businesses

Trading houses are centuries old but R. Narayan has found a way of packing old wine in a new bottle. Talk to him and he throws in a new moniker – "buying club". What's that? Narayan's two-year-old start-up, Business Essentials for Better Businesses (BEBB), buys and sells raw material – steel to polymers to paints – for small and medium enterprises (SMEs) under a brand named Power2SME. Everything apart from the supply is transacted online, including payments. The company buys raw material in bulk from suppliers such as Indian Oil Corporation, Haldia Petrochemicals, GAIL and Steel Authority of India Ltd. The discount generated because of bulk buying is then passed on to SME customers.

"The savings depend on the material," says Narayan. "In things like metals, we are able to make the deals seven to eight per cent cheaper. In paints, it's 10 to12 per cent, in polymers, two to three per cent. SMEs can also track delivery."

Kunal Matta, Managing Director of Shiv Shakti Cranes, a crane manufacturer, has been using Power2SME for four months to buy plates and other structural materials. "I get good quality material that is original," he says. Matta also benefits from Power2SME's credit period – the credit cycle is about 60 days.

Power2SME seems to have cracked the 'corporate group buying' model. In two years, the company has garnered more than 15,000 SME customers. Revenues have tripled from ₹19 crore in 2012/13 to ₹64 crore this year. The start-up is now eyeing ₹150 crore for 2014/15, though it is not profitable yet. ◆

GOUTAM DAS

Why did BEBB want to sell raw materials to SMEs? Find out at
www.businesstoday.in/startup-bebb

Coolest Start-ups

Sweeping the Board

Bangalore-based husband-wife duo Rajat Dhariwal and Madhumita Halder, both IIT graduates, were not hung up on technology as a career. "We shared an inclination to work with children," says Dhariwal. They quit their jobs to teach middle school kids at Rishi Valley School. At school, inspired by Scrabble, the duo seeded the idea of Aksharit, the Hindi board game. Unlike English, which has just 26 letters, Indian languages have many more and are complex to gamify. "Our languages are alpha-syllabic, and involve *matras* and half words," says Dhariwal, designated Head Rat (CEO) of MadRat Games. Aksharit uses transparent square keys printed with *matras* and half words that can be placed on top of the alphabets on the board to create Hindi words. A junior version was found to aid children at the school in language learning. "That made us think on a wider scale," says Halder, Founder and Driver Rat.

MadRat now has 70 board games that sell in 2,000 big and small stores across India. Unlike competitors like Funskool who sell games priced at ₹149-1,499, MadRat's products are priced at ₹250-350, says Dhariwal. Having reached the milestone of 100,000 games sold last September, MadRat now has revenues of more than ₹50 lakh per month. ◆

TASLIMA KHAN

NAME
MadRat Games

AREA OF BUSINESS:
Toys and Games

YEAR OF INCORPORATION
2010

Ahead of the game: Madhumita Halder and Rajat Dhariwal of MadRat that has given a new dimension to traditional board games

PHOTO: NISHIKANT GAMRE; LOCATION COURTESY: ITC GRAND CENTRAL, PAREL

COOL QUOTIENT
Making offline games sexy again

How does Funskool view the board gaming market? To find out, go to www.businesstoday.in/startup-madrat

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Online Launchpad

NAME
NowFloats

AREA OF BUSINESS
Website+SEO

YEAR OF INCORPORATION
2012

You – a small business owner – want your business to go online. You need an internet connection, right? Well, not necessarily. Hyderabad-based NowFloats helps you get a website – and helps promote it as well – without your needing access to the Net, or even a PC.

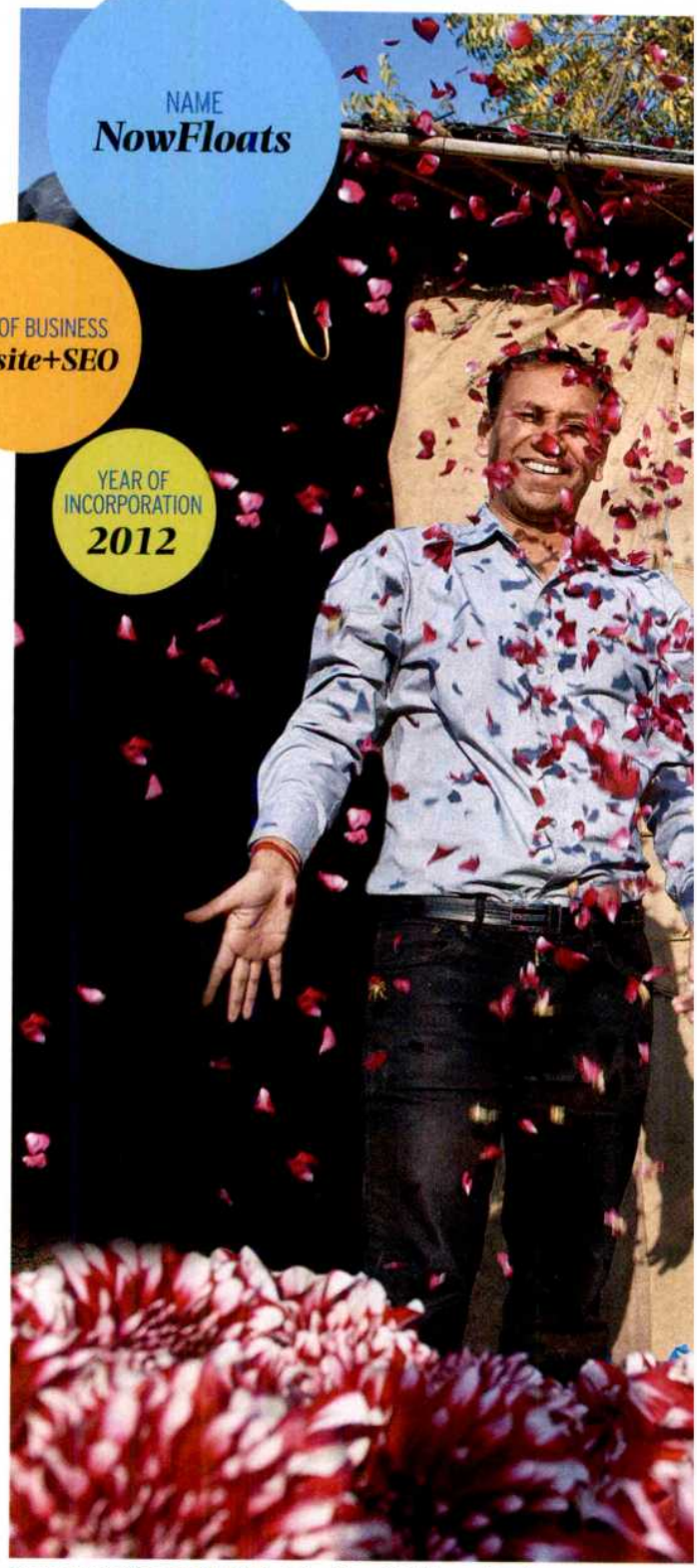
The start-up can get a website up in just 13 minutes using only SMS to communicate. Besides the speed and ease of getting a website up, the company also provides automated search engine optimisation (SEO). That is NowFloats' secret sauce and helps small businesses get discovered.

"Pick up a phone, send three SMSes (FLOAT to 56767878 or 09246462616) and we can give you an online presence. The fourth SMS onwards, is content for the website," says co-founder and CEO Jasminder Singh Gulati, popularly called Jas. The company has three other founders – Ronak Kumar Samantray, Nitin Jain and Neeraj Sabharwal.

The Facebook page of NowFloats, with more than 1,600 likes and several comments, showcases its success. Recruitment firm Datum Recruitment Services says enhanced visibility has led to an increase in traffic to its website. A fashion boutique posts that it has received several enquiries in the past one year. And Dr Sita Bhatt, a Bangalore-based homeopath who runs a clinic called Sai Kripa Homeo Clinic, says: "I get three-four customers every week who tell me they found me online."

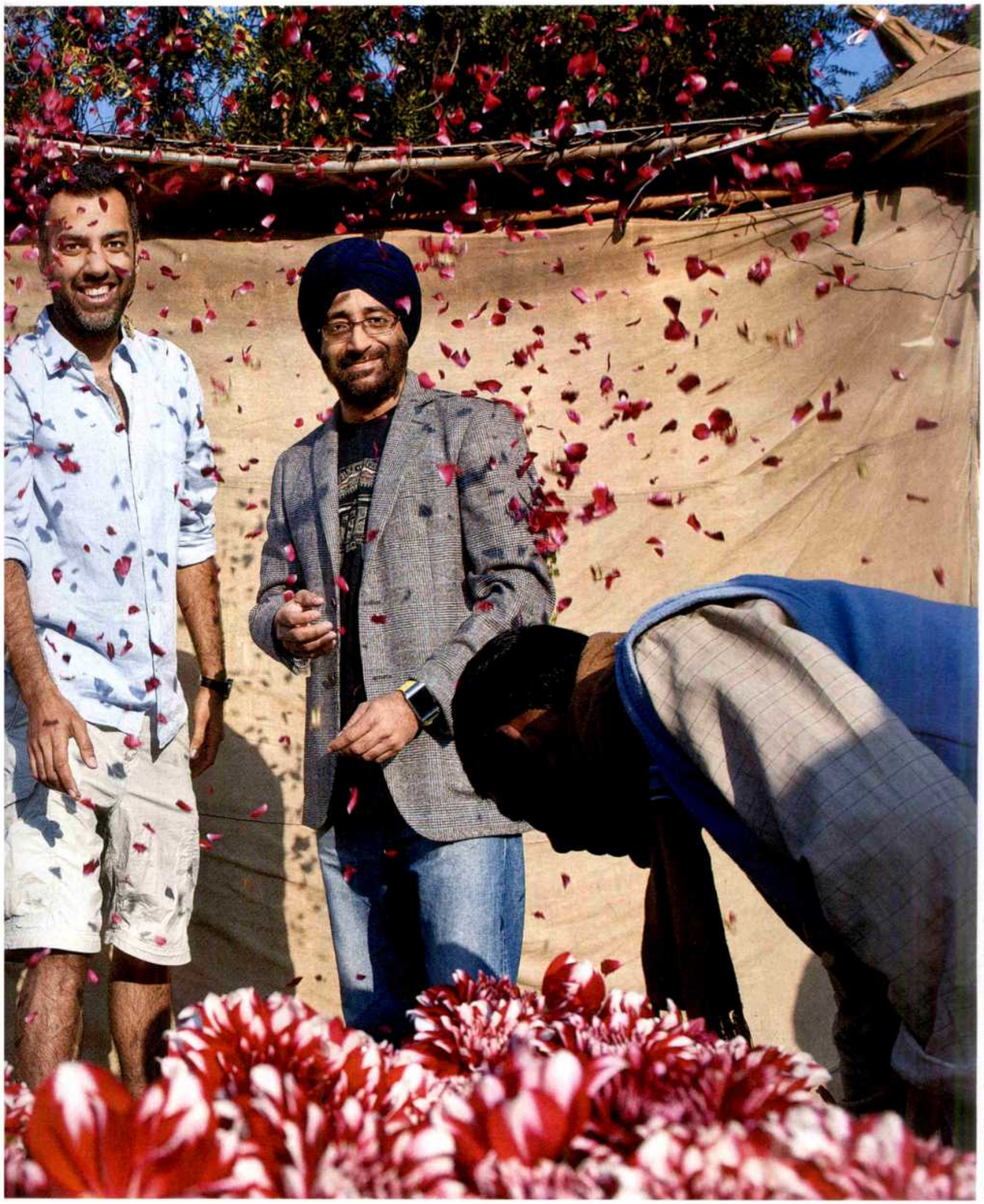
NowFloats already has 10,000 customers, ranging from apparel stores to electronic and mobile shops to food and beverage places and spas. It has hit a revenue run rate of ₹10 lakh a month. "We will close 2013/14 with close to ₹1 crore in revenues from under ₹10 lakh the year before," says Gulati. "We should break even in six months." ◆

GOUTAM DAS



Team work: (From left) Nitin Jain, Neeraj Sabharwal and Jasminder Singh Gulati looking for prospective clients at Chhattarpur flower market in Delhi

Why does this start-up call itself a local discovery platform? Find out at
www.businesstoday.in/startup-nowfloats



VIVAN MEHRA/www.indiatodayimages.com

COOL QUOTIENT:
Gets you a website in 13 minutes flat

Tweet Delights

Derived from a Punjabi word, Frrole means 'serendipitous discovery'. The Bangalore-based start-up scans Twitter and collects news on different topics entered by users, and relevant to 55 cities across six countries. Frrole filters these Twitter feeds, thereby making them great plug-ins for television channels and websites.

"The key challenge with social data is that every single piece of relevant information is mixed with thousands of information pieces that are spam or irrelevant," says Amarpreet Kalkat, Co-founder and CEO, Frrole, adding: "The challenge is to dig out Twitter feeds that are non-abusive, more positive and recent that can enhance a TV show's engagement, which we are able to do. The idea is to give users an alternative digital news platform, instead of depending only on mainstream media."

NAME
Frrole

AREA OF BUSINESS
Data analytics

YEAR OF INCORPORATION
2011

It was in 2011 that Kalkat, an IIM Kozhikode graduate, started Ciafo Techware, with Frrole being one of its products. Launched in April 2012, Frrole was initially a consumer-focused news product – *news.frrole.com*. By March 2013, it had garnered close to a million unique visitors a month. As the product gained traction, Kalkat reincorporated Ciafo Techware as Frrole in January 2014.

So, how does the technology actually work? Frrole processes over 10 million tweets daily. (Twitter, on average, sends out over half-a-billion tweets daily.) The start-up's technology platform uses filters to cut out relevant tweets from spam or irrelevant content. Raw tweets are then aligned with semantic information such as verbs, nouns, adjectives or pronouns. Tweets are further sorted out in terms of contextual information such as time frame, sentiments, 'related to a personality' or genres like politics or fashion, etc.

Frrole is different from other data analytics companies, such as Unmetric (see page 62), in terms of its ability to address specific queries from clients. "We can answer questions like how many and who are the people talking about a particular company's product in a positive way on Twitter," says Abhishek Vaid, Frrole's Chief Technology Officer. Frrole, whose clients include BrizzTV, Zoom TV and UTV, is currently generating monthly revenues of ₹2 lakh to ₹3 lakh. The company plans to have a firm footing in South-east Asia, one of the largest and fastest-growing mobile markets for Twitter. In fact, Indonesian capital Jakarta is among the five most active cities on Twitter globally.

According to US market research company International Data Corporation, the global business intelligence market is expected to grow at a compound annual rate of 9.8 per cent through 2016 to reach $50.7 billion. And as social media engagement continues to become indispensable for companies, there will be opportunities galore for companies such as Frrole. ◆

TASLIMA KHAN

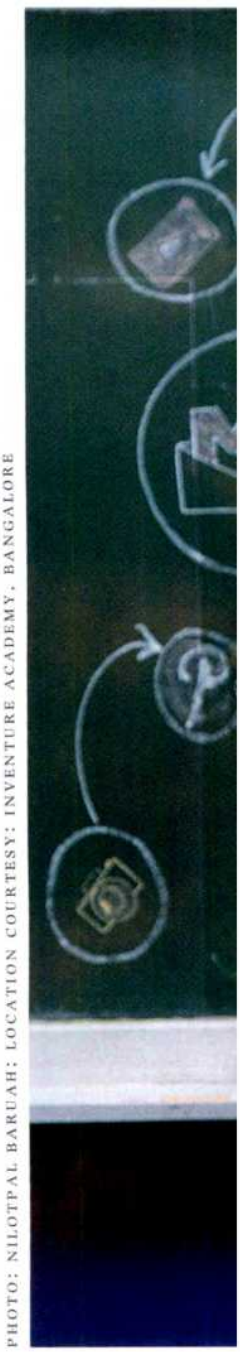
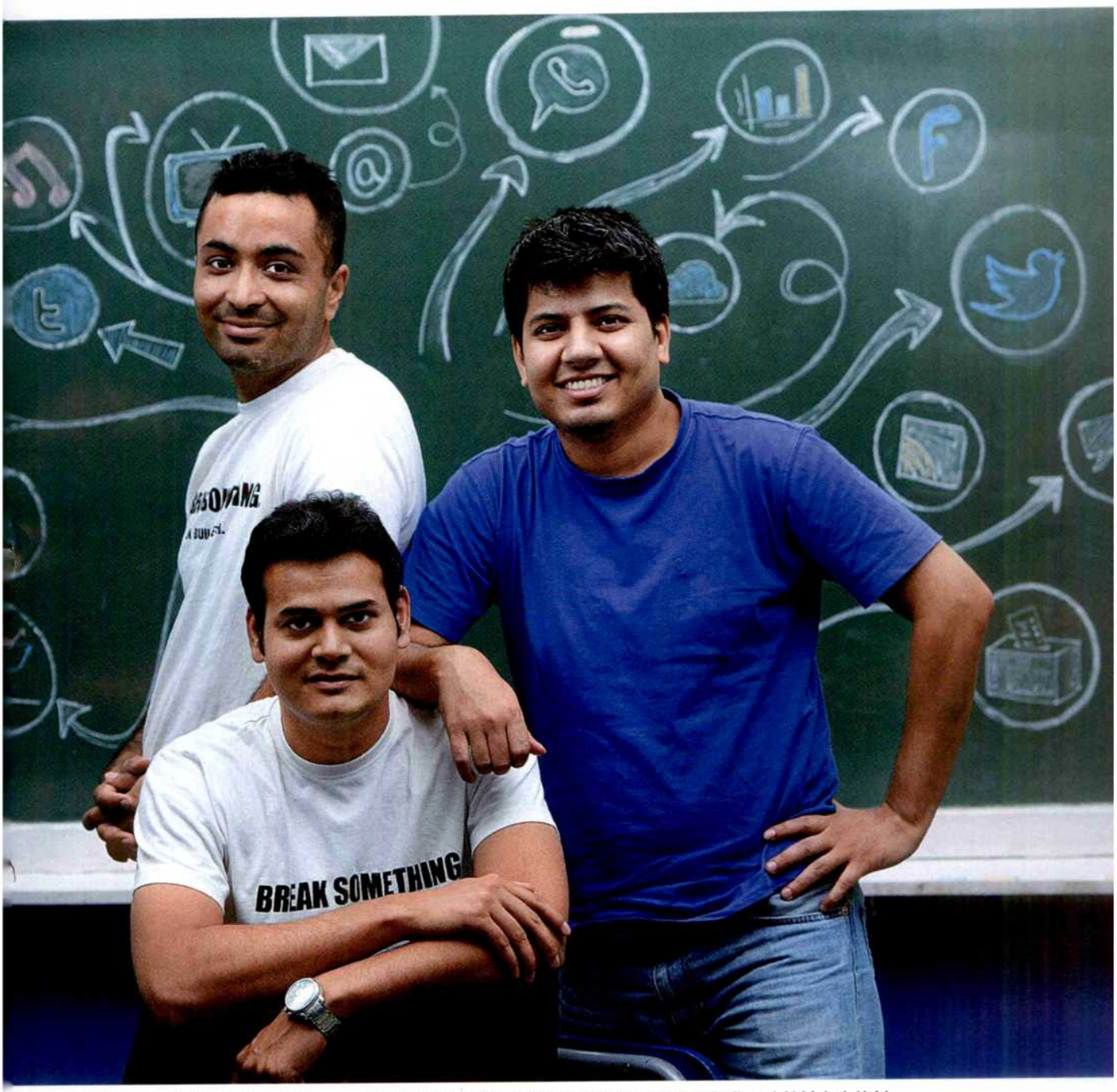


PHOTO: NILOTPAL BARUAH; LOCATION COURTESY: INVENTURE ACADEMY, BANGALORE

COOL QUOTIENT
Mines Twitter for strategic insights

For more insights into the depths of Twitter, and how Frrole trawls it go to
www.businesstoday.in/startup-frrole



Feeding minds: Frrole team Amarpreet Kalkat (standing, left), Nishith Sharma (seated) and Abhishek Vaid

Sipping Success

NAME
Teaxpress

AREA OF BUSINESS
Online tea sales/tea e-commerce

YEAR OF INCORPORATION
2012

Kaushal Dugar is not your conventional Marwari entrepreneur. When aged six, he started a book lending library and signed up his friends as paying clients. Now, at 30, Dugar dreams of creating an international Indian tea brand. His tool: the Internet and technology. "It is a 200-year-old industry and nothing has changed at all," rues Dugar, son of a small-town tea-estate machinery supplier in the Darjeeling foothills.

Dugar's fledgling company Teaxpress Pvt. Ltd, founded in 2012, sources teas directly from the gardens in Darjeeling, Assam and the Nilgiris. He removes impurities such as leaf stalks, tastes the teas for flavour, labels and packages them accordingly in 100-gm vacuumed containers under the Teabox brand.

By skipping the auction process, Dugar whittles down the delivery time to about one week that helps retain the aroma and freshness. Individuals from across the world place orders online, including from newer markets such as Ivory Coast. Japan and China are on his sights next, and Dugar has plans to launch local language websites in these two countries to reach out to customers there.

Prashanth Prakash, partner at Accel, which is invested in Teaxpress, says he "saw a global potential in the venture". The company's business model also appealed to Accel, a past master at funding online start-ups. Dugar, who plans to triple sales three times annually and targeting volumes of 36,000 kg in 2014/15, is also eyeing premier B-schools such as Harvard and the Indian Institutes of Management for talent, unheard of in the tea sector. ◆

ANIK BASU

COOL QUOTIENT
Your morning sip, fresher and made easier

Why do investors see global potential in this company? To find out, go to
www.business-today.in/startup-teaxpress

ILLUSTRATIONS BY AJAY THAKURI

Fresh Thinking

NAME
Freshdesk Technologies

AREA OF BUSINESS
Customer Support Solutions

YEAR OF INCORPORATION
2010

In June 2009, Girish Mathrubootham, then working in the US with Zoho – a software as a service (SAAS) company specialising in business software – was on his way back to India. He booked his personal goods through an international shipper and insured them with the shipper's insurance arm. But when the goods reached Chennai, he found his TV broken. He wrote several mails to the shipper, but there was no sign of his insurance claim being settled. Frustrated, he posted his experience on the R2Iclub (Return to India) forum. Within a day, the shipping company resolved the issue.

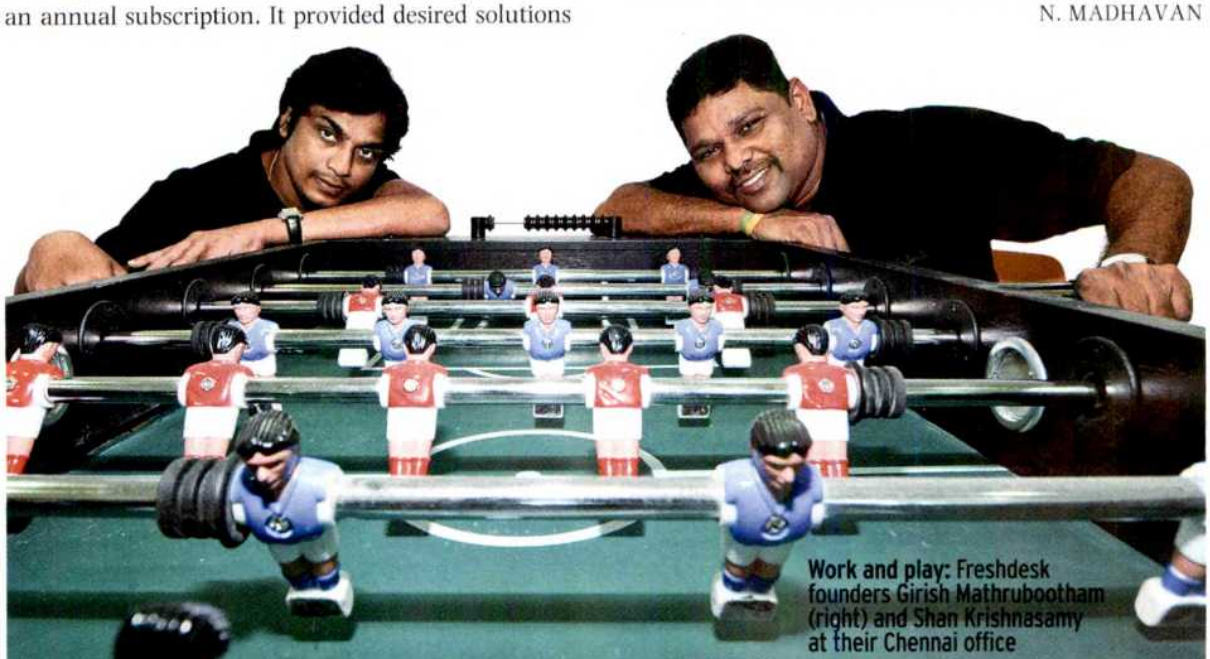
The achievement also sparked his entrepreneurial zeal. Mathrubootham started thinking on a customer support solution that could leverage social media. "When one thinks of customer support, irate customers and hassled service support staff come to your mind. And with the advent of social media, the challenges for companies have multiplied. I saw the opportunity to offer a solution," says Mathrubootham.

In October 2010, he and colleague Shan Krishnasamy quit Zoho and set up Freshdesk. The first version of the product was made ready and launched on a SAAS platform in 2010, where the customer had to pay an annual subscription. It provided desired solutions across email, chat, phone, Twitter, Facebook, mobile applications and websites.

In June 2011, Freshdesk bagged its first customer from Australia. In the same month, it took part in Microsoft's BizSpark Start-up Challenge and won it. The word spread and soon after, Freshdesk had over 400 customers across 23 countries. In 2011, Accel Partners invested $1 million in Freshdesk, followed by another $5 million by Accel and Tiger Global Management in April 2012. The two invested another $7 million in October 2013.

Freshdesk has launched its second product, Freshservice, in January 2014 – an IT service desk targeted at large companies to handle the in-house needs of its employees. "We are looking at a NASDAQ listing three years down the line," says Mathrubootham, over the din of some of his colleagues play foosball nearby. ◆

N. MADHAVAN

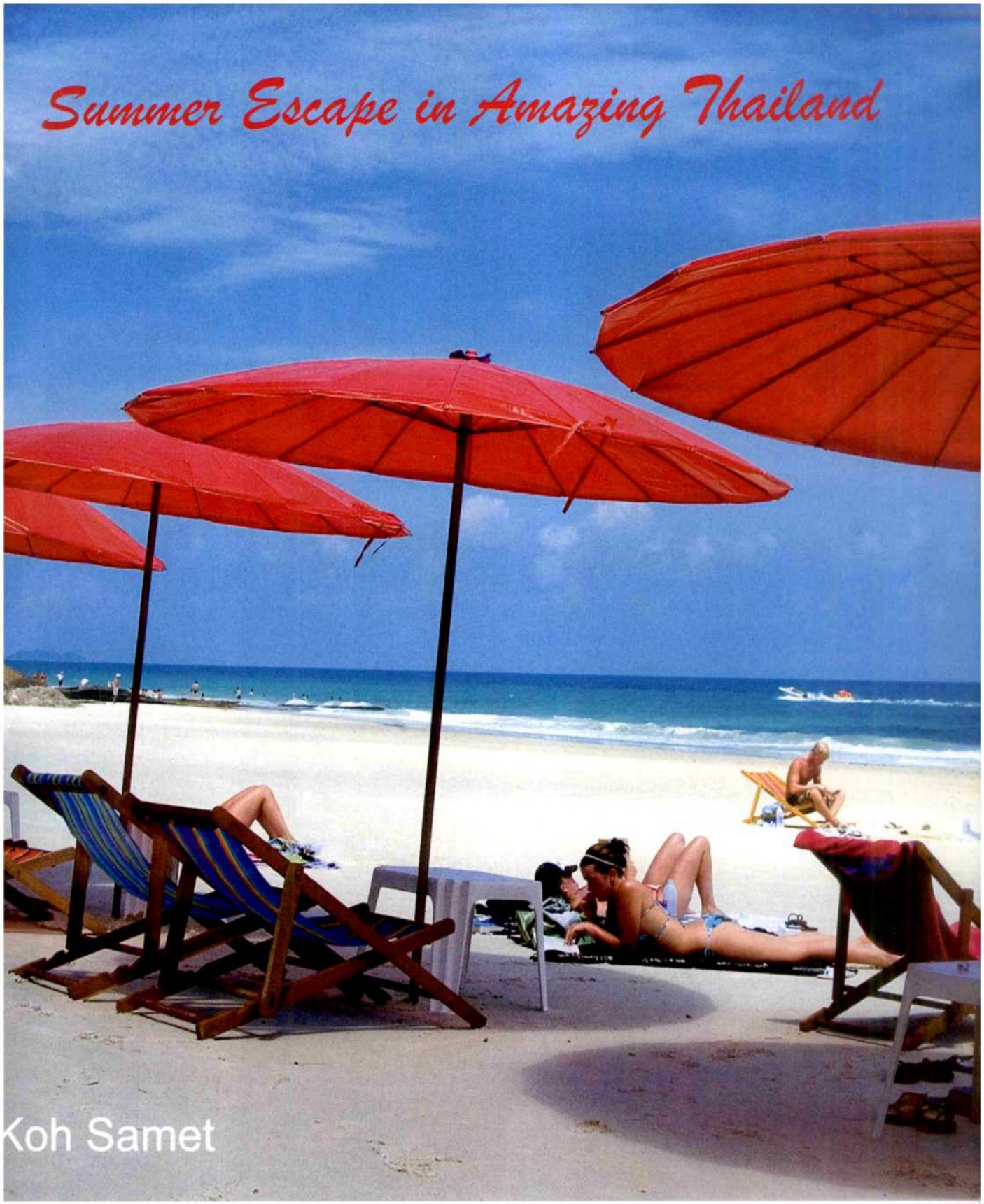


Work and play: Freshdesk founders Girish Mathrubootham (right) and Shan Krishnasamy at their Chennai office

H. K. RAJASHEKAR

COOL QUOTIENT
Has made customer support fun

How has Freshdesk made customer support fun? Find out at www.businesstoday.in/startup-freshde



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What does Insieve's founder think about being an acquisition target? Find out at www.business-today.in/startup-insieve

Content Discoverers

Bharath Mohan's obsession is to help you discover information you don't know you need. "If someone can predict what's going through your mind depending on your context, that can be very powerful," says the CEO and Co-founder of Insieve Technologies, which launched its content discovery app, Pugmarks, in December.

What is content discovery? Here's an example. A customer at MTR, a popular Bangalore restaurant, can be presented reviews on why the filter coffee there is the best in that part of the city and tipped off that there's a coffee shop nearby that's started roasting and grinding beans for a French press – all in two-three seconds and without asking for it. "It is a precious moment of engagement," says Mohan.

Some 5,000 people have signed up to use Pugmarks, and Mohan and his two co-founders Venkatesh K. Sharma and Aditya Nag are working on taking it to half a million in the next six months. The company will focus on revenues much later – in three years or so when the founders hope the number of users is in several millions.

For years now, management academics and practitioners have bemoaned the fact that India has not produced a Google- or Viagra-like invention. Is Pugmarks that next big thing? "We have a fantastic content discovery engine," says Gautam Balijepalli, a partner at Ojas Ventures, a Bangalore early-stage funder that financed Insieve with some $1 million in April 2012. "There are definitely the ingredients and the potential but will it become as big as Google? It's anybody's call." ◆

JOSEY PULIYENTHURUTHEL

NAME
Insieve Technologies

AREA OF BUSINESS
Content discovery

YEAR OF INCORPORATION
2011

Three's company: (From left) Venkatesh K. Sharma, Bharath Mohan, Aditya Nag, Co-founders of Insieve Technologies, take a selfie in Bangalore

NILOTPAL BARUAH

COOL QUOTIENT
Predicts your preferences based on your searches, app use

How did the name Flintobox originate? To find out, go to www.business-today.in/startup-flinto

Fun by Mail

NAME
Flinto Learning Solutions

AREA OF BUSINESS
Toys

YEAR OF INCORPORATION
2013

If procreation is nature's most powerful force, Flintobox is on to a great idea. It targets busy, and guilty, parents who want to keep their kids engaged. It develops theme-based development toys aimed at three- to seven-year-olds and sells them on subscription at an average of about ₹1,000 a month. "The foundation of a child's learning is laid before eight years. After that, it is like plastering and painting a building," says Co-founder Arunprasad Durairaj.

The idea of Flintobox seems to plug into the same frustrations parents such as Co-founder Vijaybabu Gandhi had when he played with his son. "When Flintobox started, we had our fears, but from the feedback we got from the first box, we were clear this is what we wanted to do," he says.

Flintobox counts some 600 customers today, 450 of whom are on subscriptions and the remaining single-box buyers. Revenues at ₹3.5 lakh a month trail costs of ₹5 lakh, but Durairaj expects sales to climb to ₹50 lakh a month by March 2015 and break even earlier when shipments touch 1,500 boxes. He points to appetite on Flipkart as an indication. "We started with 80 boxes (a month) and have a standing order for 300 a month from the next," he says. Flintobox has started selling in Singapore and aims to next push sales in Delhi and Mumbai. On the radar is a funding round of ₹1.5 crore.

In Flintobox, are we looking at the next gorilla in India's ₹8,000-crore toys market? Perhaps not. But the convenience and quality it offers places it in a sweet spot. For Gandhi, it is a different kick: "I make toys for my kid." ◆

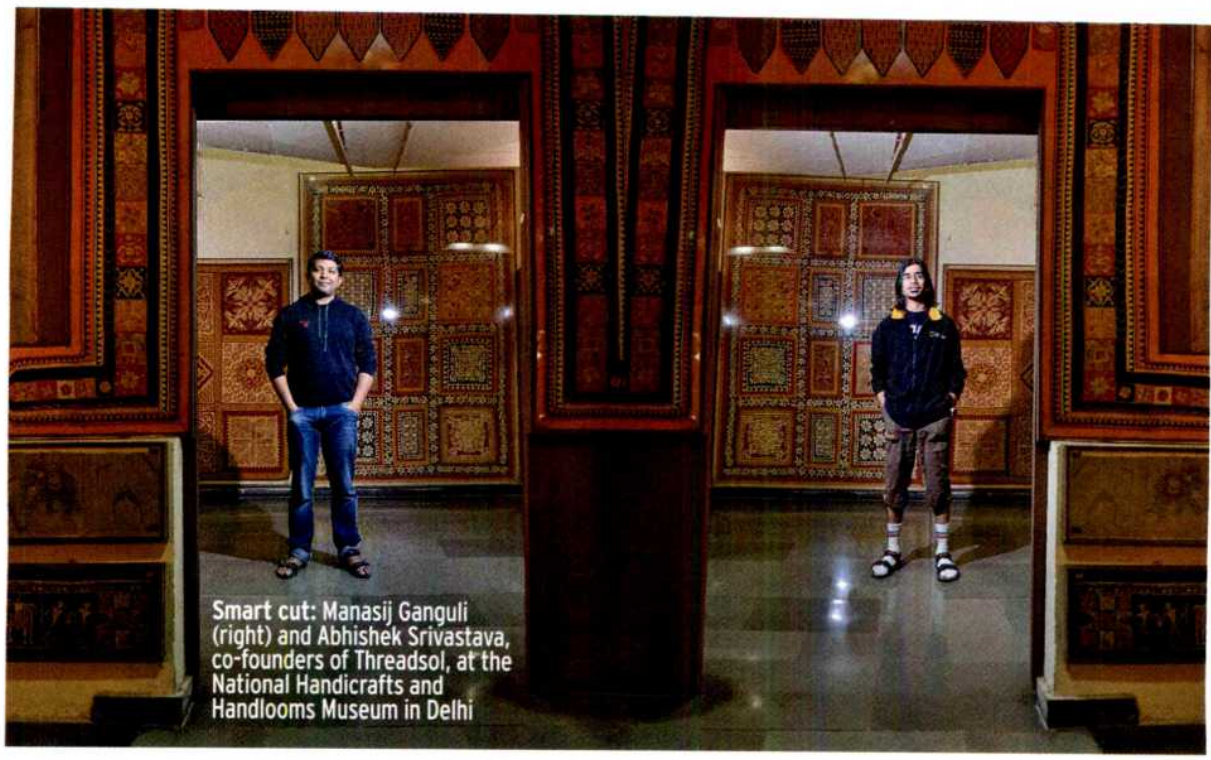
JOSEY PULIYENTHURUTHEL

Taking the long view: Flinto Co-founders Vijaybabu Gandhi (left) and Arunprasad Durairaj

AR SUMANTH KUMAR

COOL QUOTIENT
A box of fun learning toys delivered every month

Why is selling a tech solution to the garment industry difficult? Find out at www.businesstoday.in/startup-threadsol



Smart cut: Manasij Ganguli (right) and Abhishek Srivastava, co-founders of Threadsol, at the National Handicrafts and Handlooms Museum in Delhi

ADITYA KAPOOR/WWW.INDIATODAYIMAGES.COM

Matching Coat and Cloth

Manasij Ganguli's start-up idea took shape when spouse Mausmi Ambastha, former professor at the National Institute of Fashion Technology, wondered if technology could make garment factories more efficient. Fabric accounts for about 70 per cent of the operational cost of garment making, and wastage can vary from eight to 16 per cent.

intelloCut, the software developed by Threadsol Softwares, the start-up founded by Ganguli and his former colleagues Abhishek Srivastava and Bratish Goswami from Noida's Impetus Infotech, helps cut down this wastage. A semi-literate worker at a factory can punch in sizes of garments to be made, length and width of fabric to be used, etc. and get suggestions on the most economical ways to use the fabric.

NAME
Threadsol Softwares

AREA OF BUSINESS
Enterprise Software

YEAR OF INCORPORATION
2012

The start-up has netted some early customers including big names like the Aditya Birla Group-owned Madura Garments and Indian Designs, which will deploy the solution across their factories by this April; Noida-based Paragon Apparels and Bangalore-based FCC Bang Group. "We are seeing cost saving of two to 2.5 per cent per month," says Rajiv Jasuja, COO of the ₹200-crore FCC Bang Group, which makes shirts under the brand Thomas Scott and also supplies to Arrow and Lifestyle.

Threadsol is aiming for 17 customers by April and wants to pull up revenues from $125,000 until January 2014 to reach the million-dollar mark in a year and half. "The larger idea is to expand the usage of the software across similar segments like footwear, upholstery, technical textiles and bags," says Ganguli.

TASLIMA KHAN

COOL QUOTIENT:
Cuts down fabric wastage for garment manufacturers

DARE TO DAZZLE

Set your style free with a range of light casual shirts, V-neck tees, and stretch cotton chinos. The Vettorio Fratini Spring Summer collection from Shoppers Stop comprises a range of men's casuals. The collection represents a wild and daring attitude through luscious tropical themes and psychedelic colours ranging from bright yellows and sparkling whites to stunning blues.

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Bloom Amid Gloom

Our economy is growing at less than five per cent annually. Manufacturing is shrinking. Even the IT services industry is struggling to eke out 10 to 12 per cent growth and is unable to absorb as many engineering students as before. The biopharma story has fizzled out and Ranbaxy, once a flag bearer, is in free fall. Yet, in the midst of all this gloom, a new industry is blooming.

The blooming, buzzing story is software products.

In 2013, Zoho, a Chennai-based software product company, crossed over into the billion-dollar market capitalisation club. Last year, InMobi, a Bangalore-based mobile ad-tech player, did the same. This year, Quick Heal from Pune will become a billion-dollar baby. Think of it, the Indian software products industry is producing one Biocon sized company every year!

Behind the bloom are two powerful trends. The first one is about software as a service (SAAS). Gone are the days of buying big servers, expensive software licences and bulky implementation services. Increasingly, business software is just rented and used by employees much the same way you and I use Yahoo! mail. This seemingly small shift has momentous implications. Since a software product company doesn't need an army to sell and deploy its business applications any more, size is not an asset; focus is. So a plethora of small, single-minded product start-ups have emerged. And some of them like Zoho, InMobi and FusionCharts are causing waves globally.

The best days are still to come. SAAS is spreading like wildfire. Doctor's offices are using it for less than the price of Café Coffee Day latte. Apartment complexes are using ERP-type (enterprise resource planning) SAAS business software for ₹15 per apartment per month. Lots of small companies in Peenya, Bangalore or Okhla, Delhi are using world-class payroll and leave management SAAS business software for ₹10 per employee per month. Basically, SAAS is going into nooks and crannies where no business software has gone before. Just as mobile phones brought telephony to the masses, SAAS is bringing useful business applications to all small and medium businesses (SMBs) globally.

Complementing this SAAS trend is a grassroots movement for strengthening the product ecosystem in India. Trade bodies have become passé. In their place, volunteer-driven think tanks and communities have come in. They have built market catalysts that drive scale growth. This has not only increased M&A activity but has also brought thousands of SMB buyers and dozens of global CIOs (chief information officers) to the table. As a result, a new glow is visible.

	INDIAN BIOPHARMA	INDIAN SOFTWARE PRODUCTS
Investment need	Large upfront	Highly capital efficient
Gestation period	10+ years	7 years, coming down
Access to markets	Tightly regulated	Becoming a flat world
Competition	Large players on the offensive	Penetration, not a share game
Deep expertise	Not available in wetware	MNC R&D captives helping
Outlook	Challenged	Promising
Government focus	High	Non-existent

With fireflies starting to light up the sky, a realisation has emerged that we must create space for technology product companies in our business firmament. To do so, most people understand that a new product DNA is needed. The traditional services DNA just does not make the cut.

A few years ago, we dreamt of Infosys besting Accenture on the global stage, and about Dr Reddy's Labs becoming another AstraZeneca. These dreams did not pan out. Now we are on the threshold of Zoho being the next Intuit. Let's not blow this chance. Let's give software products the policy oxygen they deserve. ◆

Sharad Sharma is Co-founder, iSpirt

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MANAGING THE HUMAN FACTOR

Mumbai's top HR executives discuss their role in developing future leaders and keeping employees engaged.

By ARPITA MUKHERJEE

An increasingly difficult economic environment is forcing companies to look at ways to ensure they not only perform consistently but also sustain their human capital. A company's growth, after all, depends to some extent on employee development and attrition.

Key aspects of how human resource divisions of companies contribute to this sustaining effort were examined at the second *Business Today* Knowledge Forum on Human Resources (HR) held at the ITC Grand Central, Mumbai, on February 26. (The first was in Bangalore on February 17. See *www.businesstoday.in/btknowledge-blore2014*.)

The examination consisted of two panel discussions, the first on ***Does HR in India have any***

PHOTOGRAPHS BY NISHIKANT GAMRE

Developing leadership: (From left) Anjali Bansal, MD, Spencer Stuart; Prabir Jha, President - HR, RIL; Shamni Pande, Senior Editor, *BT*; Prince Augustin, Executive VP, Group Human Capital & Leadership Development, M&M; and K. Ramkumar, Executive Director, HR, Customer Service & Operations, ICICI Bank

Engaging minds: (From left) Sumit Mitra, Executive VP, HR, Godrej Industries; Arvind Agrawal, President, Corporate Development & HR, RPG Enterprises; Adil Malia, Group President, HR, Essar Group; Shamni Pande, Senior Editor, *BT*; K. Sudarshan, Regional Managing Partner - Asia, EMA Partners International; and Yogi Sriram, Senior VP, (Corporate-HR) L&T

role in developing future leaders? and the second on ***How to keep employees engaged with the company's goals and objectives.*** Both were moderated by Shamni Pande, *BT*'s Senior Editor.

The panellists for the first discussion were K. Ramkumar, Executive Director, HR, Customer Service & Operations, ICICI Bank; Prabir Jha, President - HR, Reliance Industries Ltd (RIL); Anjali Bansal, Managing Director, Spencer Stuart; and Prince Augustin, Executive Vice President, Group Human Capital & Leadership Development, Mahindra & Mahindra (M&M).

Initiating the discussion, Ramkumar said an organisation should not put too much of emphasis on CEO succession. "There is succession to be worked out at levels next to the CEO, which is equally crucial. HR plays a very important role at these levels," he said. Bansal of Spencer Stuart agreed, adding that CEO succession should be left to the board. "A good company will consider the HR person's point of view, but will not put him in the awkward situation of having to make the selection as well," she said.

For RIL's Jha, HR was not a process, but depended primarily on the people engaged in it. "The caveat is the issue of the promoter and the HR leadership. They must trust each other," he said. "The operating principles are calibre, principle and trust, because these are sensitive things and you cannot force any family or organising committee to take HR counsel." On the amount of power an HR person holds in the selection process, Ramkumar said: "A good HR person is someone who understands he has to put all relevant information on the table, but he should not play an advocacy role. The moment he does that, he is not a good HR person."

Augustin of M&M said HR could not take on the hiring manager's role. The company should seek an independent consultant or internally put together candidates and then seek HR counsel in terms of the cultural fit the person would have, how he would further the values of the organisation and build the brand. "HR considers the behavioural fit, in terms of how the company would gain from that leadership," he said.

Participants in the second panel were Yogi Sriram, Senior Vice President, (Corporate-HR), Larsen & Toubro (L&T); Adil Malia, Group President, HR, Essar Group; K. Sudarshan, Regional Managing Partner - Asia, EMA Partners International; Sumit Mitra, Executive Vice President, HR, Godrej Industries; and Arvind Agrawal, President, Corporate Development & HR, RPG Enterprises.

Malia of Essar Group said it was imperative an organisation ensures its engagement activity stands out as compared to other corporates. "You will find 75 to 85 per cent of engagement programmes of all companies are practically similar," he said, emphasising the importance of customisation of engagement in an organisation.

As far as company goals went, it was important to have at least the medium-term goal in place, felt L&T's Sriram, adding that innovative organisations have

For videos of the discussions, log on to www.businesstoday.in/btknowledge-mbai2014

Anjali Bansal
Spencer Stuart

"A good company will consider the HR person's point of view, but will not put him in the awkward situation of having to make the selection as well"

Prabir Jha
Reliance Industries

"The caveat is the issue of the promoter and the HR leadership. They must trust each other"

Prince Augustin
Mahindra & Mahindra

"HR considers the behavioural fit, in terms of how the company would gain from that leadership"

K. Ramkumar
ICICI Bank

"There is succession to be worked out at the levels next to the CEO. HR plays a very important role at these levels"

much more engagement with employees. He also said goals and missions of a company should have a shelf life since too much change, too fast, could be detrimental. "If goals and missions keep changing, any amount of communication mechanisms will not be enough. You will have a confused company."

"Shifting sands (in terms of goals and missions) are very difficult to relate to and even with a huge amount of engagement, you will find a demotivated bunch of people," added Sriram. Said Mitra of Godrej Industries: "If we look at it from the lens of creating value for the company, it is important to see whether or not the objective (to create value) is similarly understood by the employee and the organisation." Mitra was of the view that a large part of engagement is driven by the manager, and is not just an HR mandate.

Agrawal of RPG Enterprises, however, had a different opinion. Employee engagement was not connected to either the short-term or long-term goals of a company, he felt, but to moments of truth. "It is about how the person is treated by the management. A company's broader goals boil down to everyday, transactional experiences," he added.

EMA Partners International's Sudarshan pointed out that the end game of engagement was getting better output from people. "Growth is a very important catalyst for engaging and retaining talent. If that isn't happening, it is difficult to engage and retain," he said.

SRM University was the presenting sponsor of the event. ◆

@arpitamukherjee

Sumit Mitra
Godrej Industries

"... It is important to see whether or not the objective (to create value) is similarly understood by the employee and the organisation"

Arvind Agrawal
RPG Enterprises

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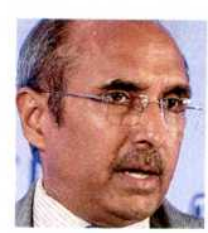

Yogi Sriram
L&T

"If goals and missions keep changing, communication mechanisms will not be enough. You will have a confused company"

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Although Gillette entered the Indian market in 1984 and launched its newest triple-blade system, Mach3 in 2004, sales were flat for a long time. The product did not go through any changes and kept its key features – such as long lasting diamond-like coating blades, 'PowerGlide' smoothness, ergonomic handles, pivoting precision heads – and premium price, which was 10 times more than its two-blade competitors.

Even though the target customers were professional men with higher disposable incomes than the average Indian, the traditional, double-edged razor, could not be dislodged. Indian men do not consider shaving a significant enough activity to justify such a premium. Gillette's Mach3 value proposition was based on extensive consumer research, which highlighted key concerns men had about shaving: it was time-consuming, caused skin irritation and was generally unpleasant. Mach3 promised

focus

EXECUTIVE SUMMARY

Traditionally, Gillette relied on extensive research and development to create a single product for global distribution. The product was supported by a marketing premise that it would be equally valuable to customers globally. But Gillette set aside its global strategy in India and grew its market share dramatically. This case study looks at how Gillette innovated by tailoring advertising and inventing a new product development process to reflect local shaving habits.

By GABRIELA BERNER, JADE CHANG, MARINA DUNAEVA, and LEONARDO SCAMAZZO

"the closest shave ever in fewer strokes – with less irritation". Research and development served as the key value network component supporting this value proposition, as it was crucial to deliver the promised performance. Manufacturing, distribution, marketing and advertising were geared for the global introduction through increased production capacity and aligned promotional material.

With such indifference towards shaving, Gillette had to focus on changing the consumer's attitude, leading to some creative marketing campaigns. For example, the launch of the newest Gillette Mach3 in 2009 was supported by the 'Shave India Movement 2009' campaign which included several initiatives. Gillette created the platform 'India Votes... to shave or not' to support this campaign, which asked three controversial questions: Are clean-shaven men more successful? Did the nation prefer clean-shaven celebrities? And the big one: do women prefer clean-shaven men? For two months, various media channels picked up on the campaign and ran interviews, discussions, editorials and news stories, which triggered popular interest. The main purpose was to create a debate around shaving.

The company created the Women Against Lazy Stubble (WALS) association, where women were encouraged to ask their men to shave, capitalising on their role as influencers of men in this aspect. Gillette recruited Bollywood celebrities such as Arjun Rampal and Neha Dhupia to support the campaign. This innovative way of marketing proved to be effective and as awareness grew, sales and market share increased by 38 per cent and 35 per cent respectively.

Until 2010, Gillette India had been following a strategy of marketing cheaper-end US-developed razors. However, low-income Indian customers who could not afford Gillette's premium price relied on the outdated, but traditional, double-edged razor shaving systems. An estimated 400 million customers not happy with existing market offerings provided a promising growth opportunity for

USING SOCIAL NORMS OR EVOKING SOCIAL ISSUES IS A RISKY BUSINESS

How do you make a nation change its shaving habits? The Gillette example shows some degree of sophistication in understanding the way people make decisions. Since the new product would entail a change in habitual behaviour, ease was crucial. We see this element feature in their product design as well as in their choice of distribution channel. In terms of advertising, Gillette could have chosen to inform people of the benefits of shaving in general or of using the Gillette product for its benefits. Instead it chose to evoke social norms, taking into account what we know about human behaviour.

Using social norms or evoking social issues is a risky business and considered even more perilous when done by a "foreign" player in the market. It requires a good understanding of the social context and overriding of stereotypes. Coming from outside, we may see "locals" as more homogenous than they might be. Lastly, it requires good execution. Evoking social norms can easily end-up heavy-handed, and be perceived so, especially when done by a foreign company.

An important element in the Gillette case is the customisation of the product to local needs. This makes sense with several caveats. The changes are costly. Therefore, there ought to be differences in local needs that are substantial enough to warrant the change. Second, the size of the market should be big enough to justify the effort. Lastly, the company should have the resources to follow through the change. It should also take into account the risk that local innovation can come at the expense of centralised innovation.

"It could have chosen to inform people of the benefits of shaving in general or of using the Gillette product for its benefits. Instead it chose to evoke social norms"

DAVID FARO
Associate Professor of Marketing, London Business School

Gillette. Thus, it focused on understanding its customers and the challenges they faced, which required spending hours visiting and interviewing consumers in order to understand the role of grooming in their lives and their needs.

The company realised that apart from affordability, customers also valued safety and ease of use. Those customers' needs would not be satisfied by Gillette's existing offering – most lacked running water, had to manage longer facial hair and sit on the floor while shaving. Nor were they satisfied with the existing double-razor solution as they caused frequent cuts.

Once Gillette understood this consumer segment, the company created a new customised product. Gillette Guard, the first product created just for the Indian market, was introduced in October 2010. It was priced at just ₹15 per razor – less than 35 cents and three per cent of the top-of-the-range Fusion ProGlide price. At ₹5 for a refill cartridge, Gillette Guard met customer expectations on safety and ease of use.

Gillette made several changes to Gillette Guard from the traditional razor systems produced in the developed world. Extra blades were eliminated. Gillette Guard's single-blade system does not follow the trend of increasing the number of blades in a razor made for developed countries. Design complexity was reduced. Gillette Guard is a much simpler design with fewer parts to assemble during the manufacturing process.

Features such as easy-rinse cartridges and lightweight, ribbed handles were designed. Easy-rinse cartridges help customers save water and ensure the blades are clean, even if running water is not available. The new handle has a better grip, making the experience easier and safer. Safety comb and hang hole in the handle was introduced. Designing a safety comb tackles the problem of frequent cuts, especially for men who are not daily shavers and deal with longer

hair. The hang hole was introduced as a response to less convenient conditions and to allow for easy drying and storage.

The research and development process was reinvented to come up with the product tailored to target customers' needs. Simplified design means 80 per cent fewer parts are used in production compared to Gillette Vector. This helps cut manufacturing costs to ensure that the low price does not interfere with the business model's sustainability. Apart from research and development, Gillette also built Guard's distribution network across millions of small local shops, where it was more likely to reach its target customers, rather than bigger retail chains. This ensured a wide distribution reach.

Unlike the heavy digital marketing strategies used in the developed world, the campaign for promoting Gillette Guard was based on traditional advertisements featuring Bollywood actors. Additionally, the success of changing Indian men's shaving culture played a significant role in marketing Gillette Guard. As the first product designed for men specifically in this market, Gillette Guard is touted as "one of the most significant product launches in Gillette history".

Gillette's success in India hinged on its capacity to innovate. Firstly, it used innovative ways to communicate with its consumers in 2009 in order to attract a once indifferent segment. Through a creative use of traditional ads and marketing campaigns that supported the launch of the new Gillette Mach3, Gillette was able to change consumers' indifference towards shaving and create a true momentum for its products. In this way, Gillette shifted from a market-driven to a market-driving approach. Secondly, in 2010, Gillette did something the *Harvard Business Review* described as "reverse innovation" to develop a product that would satisfy the needs of the lower income customer. After failing to gain signifi-

IMPORTING PRODUCTS AND BEST TRADE PRACTICES IS NOT ENOUGH

With 1.25 billion people and a lively economy, it is sensible for companies to have India as part of any global growth strategy. But successfully capturing this growth is easier said than done. You cannot dominate any consumer goods category in India simply by importing products and best trade practices from elsewhere. Gillette has been willing to put in the hard work to understand India in all its vastness and diversity, and has, therefore, met with success after 2009.

For years, marketing brains wondered why Indian men stubbornly refused to ditch the humble double-edged blade for the convenience of a system razor. The answer was easily available with the average Indian consumer. But someone had to understand local nuance – like Indian men in smaller towns sit on a floor with a cup and shave; and affordability was an issue. And Gillette was willing to listen. Small touches like a textured handle for a firm grip to deal with thicker-than-average hair and a hang hole for convenient storage catered to unique Indian needs.

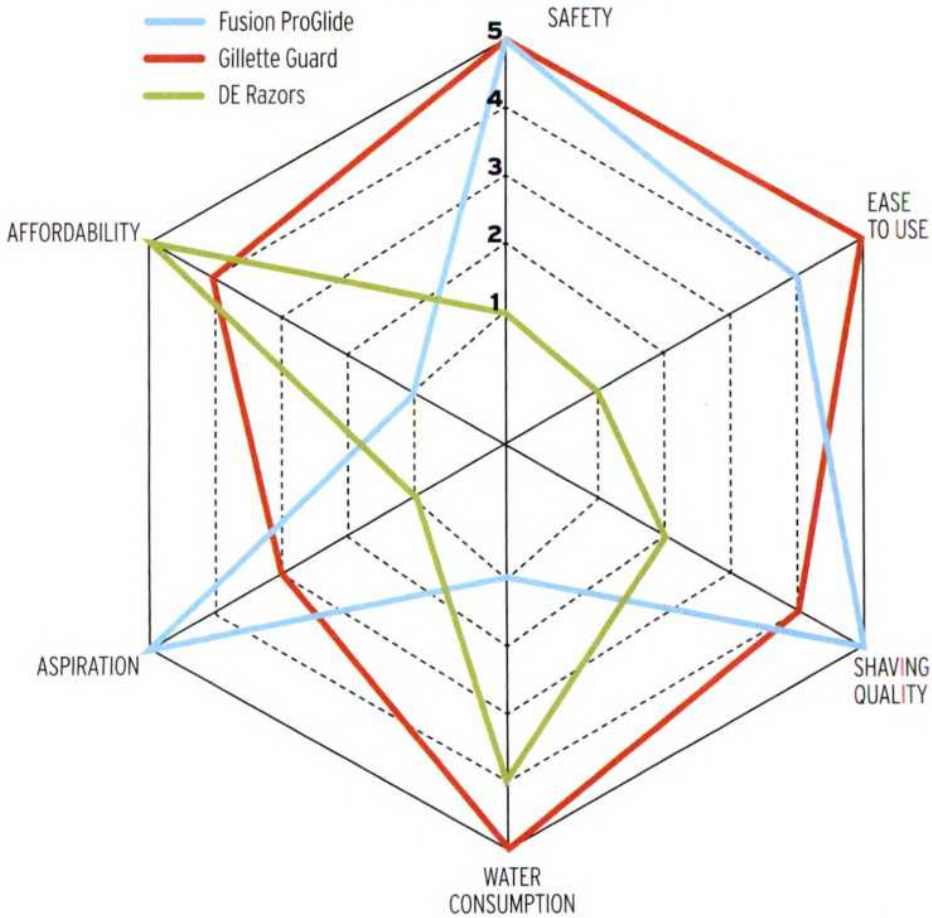
It is a clear case of a shift in MNC thinking from peddling their lowest-cost products to understanding the Indian consumer. One of the world's biggest soap brands made a big mistake when it launched bathing gel, thinking the consumer wanted to upgrade. However, it learnt lack of running water made removal of gel harder and needed more buckets of water, leading to the failure of the product. It's a reminder of the importance of knowing local culture. I am not surprised today two out of three razors sold in India are accounted by Guard.

"Gillette has been willing to put in the hard work to understand India in all its vastness and diversity, and has, therefore, met with success after 2009"

DEVENDRA CHAWLA
CEO, Food Bazaar

Cutting Edge

Gillette offered the best of both worlds to consumers



cant market share in India by selling its lower and mid-tier American razors in different packaging, Gillette adopted a different approach. It went back to the source by making significant investments in market research to better understand the needs and preferences of target consumers.

Gillette understood that Indian consumers' needs, culture and attitude towards shaving were radically different from those of Western consumers. Rather than lowering performance, Gillette kept the valued customer at the core of its strategy and introduced an innovative value proposition for the value-for-money customer. Moreover, Gillette was able to deliver its promise to customers by putting in place an appropriate value network. In addition to a customised product, all the elements of the business model were coherent with the value proposition and mutually reinforcing. Local manufacturing enabled Gillette to lower its cost structure and maintain low prices. The distribution model, not based on few large retailers, but on millions of local shops called *kiranas*, allowed Gillette to achieve a higher market penetration.

A mistake that multinationals make is to push global brands in a one-size-fits-all strategy. Gillette's strategy of spending time and resources understanding Indian consumers' needs proved to be the key to its success

The Gillette Guard case in India is the typical success story suitable for a marketing strategy book. However, there are some aspects of the strategy that appear to be controversial. One is related to environmental sustainability. Guard uses disposable cartridges which makes it not exactly an environmentally-friendly product. Secondly, Gillette's business model in India shows some weaknesses. Emerging markets such as India are known for producing high volumes of generic products. Given the low barriers to entry in the razor business, there are some doubts about how Gillette will sustain its competitive advantage. Innovative start-ups (e.g. DollarShaveClub) are growing fast in the US by selling simple two-blade razors online at a fraction of Gillette's price. A lower price is made possible by a simple product design and limited marketing and overhead costs. It is possible a low-cost competitor will enter the Indian market, challenging Gillette's market share. To remain competitive, Gillette must keep the valued customer at the core of its strategy and adapt its business model accordingly.

Other companies can learn from Gillette's case in India. A recurrent mistake that multinationals make is to push global brands in a one-size-fits-all strategy. Gillette's strategy of spending time and resources understanding Indian consumers' needs proved to be the key to its success. This understanding helped it innovate through developing new products and creative communication ways to attract and engage Indian consumers. ◆

(This case study is from the Aditya Birla India Centre of London Business School)

What can we learn from Gillette's *success? Post your comments at* www.businesstoday.in/casestudy-gillette. *Previous case studies are at* www.businesstoday.in/casestudy

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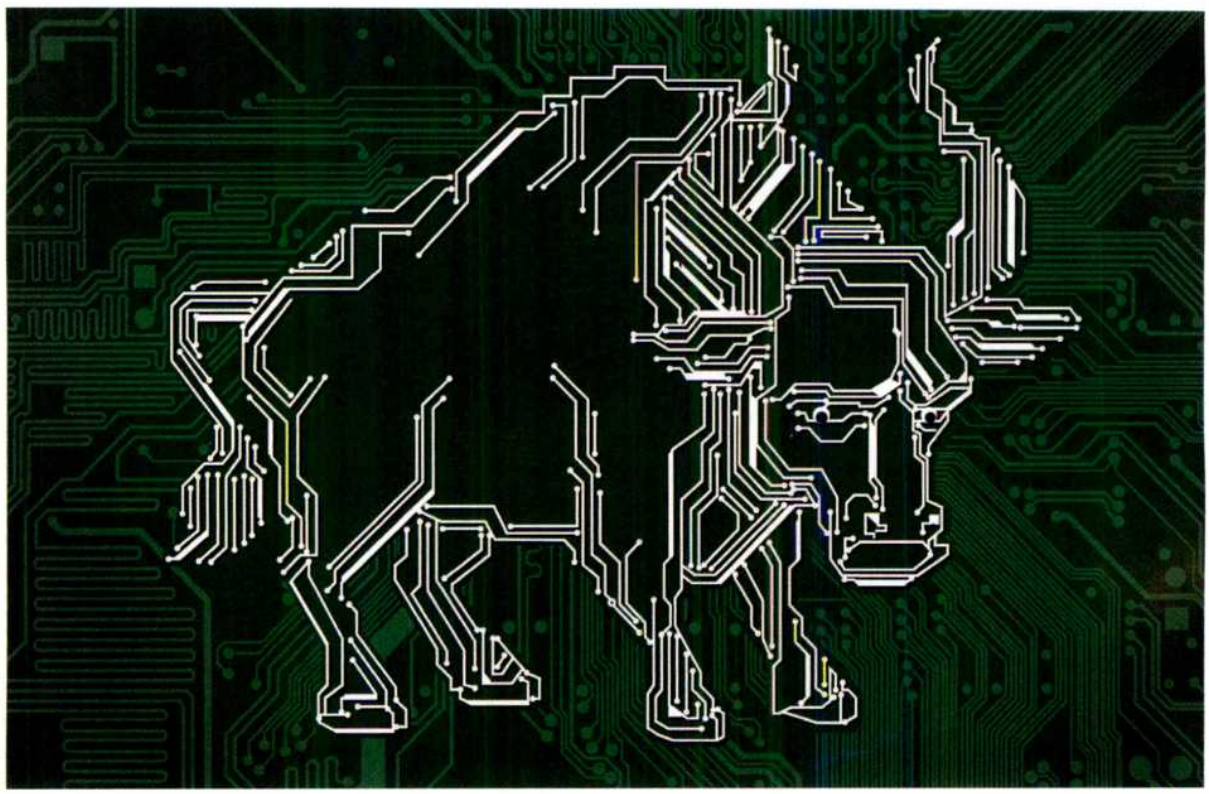
SMART PICK
THE TOP FIVE TECHNOLOGY FUNDS DELIVERED AN AVERAGE RETURN OF 52.42% IN CALENDAR YEAR 2013



RAJ VERMA

Being Tech Savvy

Investors made huge gains from tech funds last year. The returns may be more modest this year. By RENU YADAV

Last year was disappointing for investors. Markets delivered paltry gains. Had you invested in an index or exchange traded fund based on the Bombay Stock Exchange (BSE) Sensex, you would have earned just 9 per cent, equal to returns from a one-year bank fixed deposit. But those who invested in one sector, technology, were better off than the rest. The S&P BSE IT index returned an impressive 59.78 per cent in 2013. This was reflected in the performance of technology funds as well. The category delivered a return of 52.42 per cent on an average. Had you invested in the best performing technology fund for the year, ICICI Prudential Technology Fund, ₹100 invested at the start of 2013 would have grown to ₹163 by the end of the year. The second best performer, SBI IT Fund, delivered a 54.50 per cent return. Even the worst performer, DSPBR Technology.com Fund, returned as much as 41 per cent.

Investors don't have to fret, as the rally is not over yet. The Infosys stock, the top holding (30 per cent

allocation on an average) of tech funds, rose 50.33 per cent in 2013. TCS, the second-biggest holding, did even better. It returned 73 per cent last year. HCL Technologies rose 104 per cent. However, experts are not expecting a 2013-like run this year.

Strengthening of global economies and depreciation of the rupee against the dollar were the main drivers of technology stocks in 2013. Experts say the 2013-like rupee depreciation is unlikely in 2014, though improved earnings of companies will help their stocks maintain momentum. In 2014, say experts, all eyes will be on results. "We expect that earnings momentum will remain strong in the coming quarters. Top IT companies (Wipro, Infosys, TCS, Cognizant and HCL) grew revenues by 14 per cent in 2013. We expect 2014 to be a better year than 2013," says Dipesh Mehta, Analyst, IT & Media, SBICAP Securities.

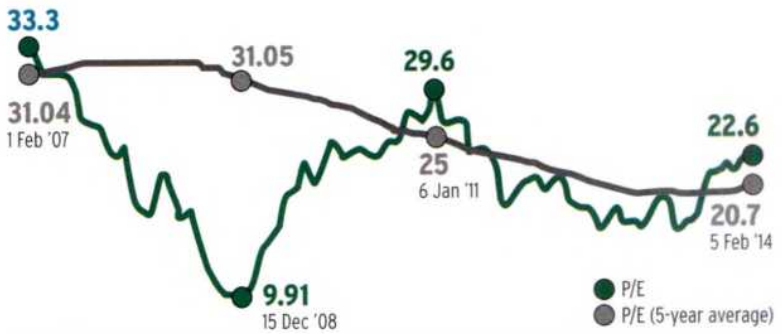
Global Opportunities

The biggest plus for IT companies as they plan for 2014 is improving US economy and profitability of companies. The US accounts for 60 per cent revenue of the big IT companies. "The IT sector had come under pressure after 2008 as clients cut discretionary spending. This has changed in the last year or so," says Anand Radhakrishnan, Head of Equities & Portfolio Manager, Franklin Templeton Investments-India. The demand is strong in the new technology segments of social, mobility, analytics and cloud (SMAC).

As per a report by Deutsche Bank, the US, along with Asian companies, is likely to be an early spender on new SMAC technology. For Europe, too, the worst seems to be over, as its economy has stopped contracting. European governments and companies, due to the financial crisis, are under pressure to cut costs and improve profitability. As a result, their protectionism is giving way to increase in offshoring. Therefore, IT companies are scouting for opportunities in European markets. "Indian companies are also benefiting from rise in market share in Europe. The outsourcing trend is gathering momentum, we are seeing Indian IT companies make a pan-European effort to get large outsourcing deals" says Radhakrishnan.

Valuation Gap

A comparison of the daily price to earnings (P/E) ratio and the daily five-year average P/E ratio of the CNX IT index shows the sector is overvalued



Rupee Depreciation

Rupee fell 13 per cent in 2013 and touched an all-time low of ₹68.36 against the dollar in August 2013. It has stabilised at 60-62 levels since 2013-end, which is still 40 per cent below the level it was in mid-2011 (45-54 levels). As IT companies earn most of their revenue from exports, any rupee depreciation adds to their bottom lines. Even if the rupee doesn't depreciate further from the current levels, it has significantly improved the competitiveness of Indian IT companies. This advantage may vanish if the rupee falls significantly from the current level.

"The IT sector had come under pressure after 2008 as clients cut discretionary spending. But this changed in the last year or so"

Anand Radhakrishnan
Head of Equities & Portfolio Manager, Franklin Templeton Investments-India

Possible Threats

US Immigration Bill: The Bill is a result of increased protectionism of the US government to support its economy. At present, it is the biggest threat to the Indian technology sector, as it will force IT companies to hire more locally. "The passage of the US Immigration Bill could result in escalation of labour costs and reduction in profitability of Indian IT companies" says Radhakrishnan.

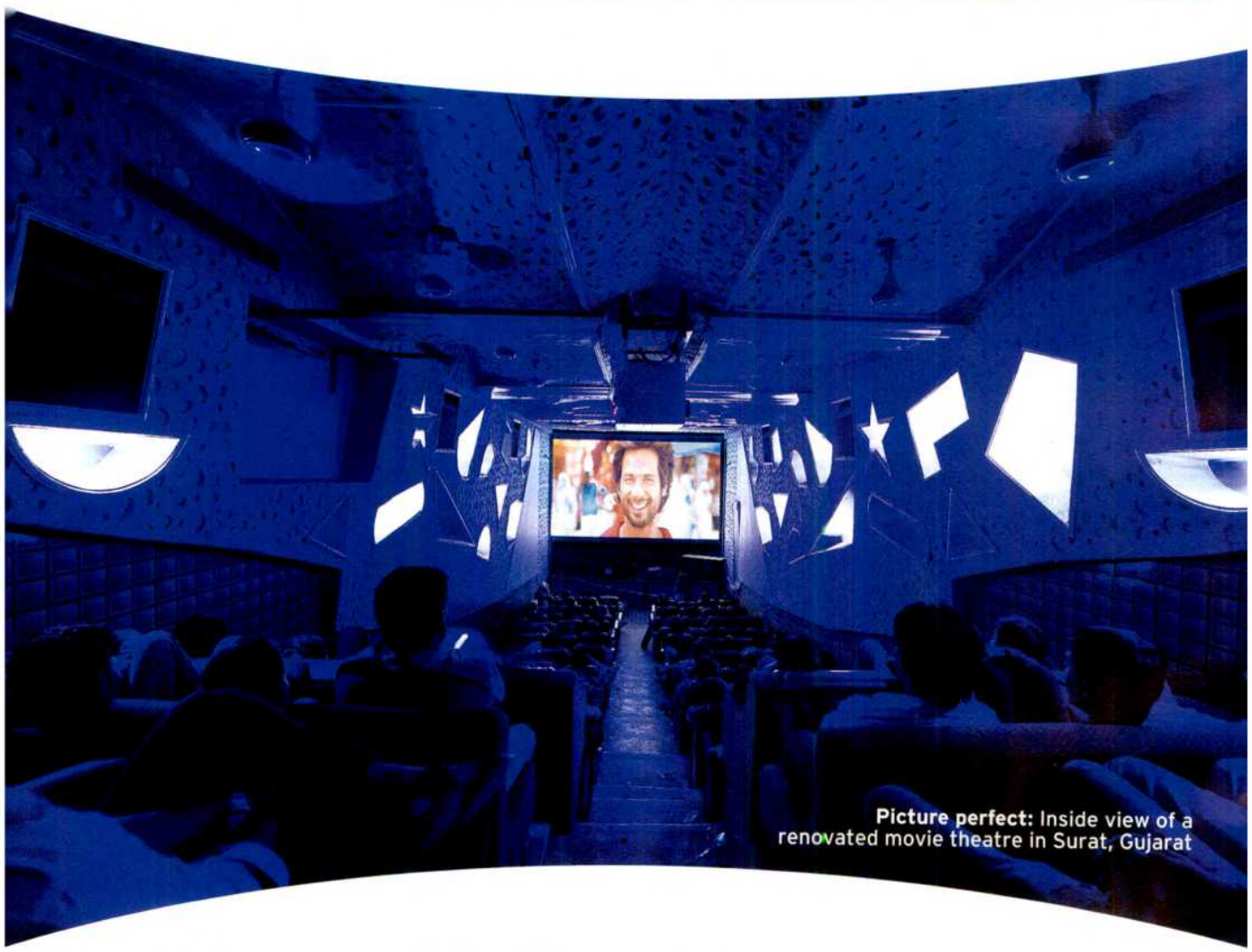
Valuations: After a great run last year, valuations are not cheap. The price-to-earnings, or PE, ratio of the CNX IT was around 23 on February 5, higher than the five-year average of 21. "There are not many cheap stocks within the sector. But if growth keeps surprising on the upside, valuations will continue to remain modest," says Radhakrishnan.

Investors with a medium- to long-term horizon can enter the sector but with reasonable expectations. Those who don't have the time and ability to invest directly can take the mutual fund route. We would advise investors to use these funds to complement the core portfolio. Concentration of funds in a particular sector is risky. Investors who are comfortable with the risk-return profile can allocate 10-15 per cent funds to these funds. ◆

Courtesy: *Money Today*

LAST BUT NOT LEAST

BOOKS 107 CAREERS 109 PEOPLEBUSINESS 116



Picture perfect: Inside view of a renovated movie theatre in Surat, Gujarat

Double Impact

Two-screen movie theatres are becoming popular in smaller cities and towns where large multiplexes are not economically viable. By AJITA SHASHIDHAR

Expanding his horizons: Sachit Jain at his Mumbai office. The film distributor has now ventured into the movie exhibition business

PHOTOGRAPHS BY RACHIT GOSWAMI

Until about a year ago residents of Rajnandgaon town in Chhattisgarh would go to the state capital Raipur, almost 80 km away, to watch a movie. The town with a population of only about two lakh neither had any multiplex nor even a single-screen movie hall. It got its first theatre only in March last year when Sachit Jain, a third-generation film distributor who had ventured into the movie exhibition business, opened a two-screen cineplex in the town. "A two-screen theatre in a place like Rajnandgaon makes good economic sense because, often, two films are released simultaneously or in consecutive weeks," he says.

Mumbai-based Jain says Silver Screens, the cineplex he opened in Rajnandgaon, achieves 70 per cent occupancy on most days and also attracts people from nearby villages. This is despite keeping the average ticket price high at ₹100 with premium tickets priced at ₹150. "In a place like Rajnandgaon, where there are hardly any restaurants or any other form of entertainment, people are willing to spend for the experience they get. We are giving them a multiplex-kind of a feel with two screens," says Jain.

Apart from Rajnandgaon, Jain also has two-screen cineplexes in Madhya Pradesh's Gondia town and at Dhamtari in Chhattisgarh. He plans to roll out 12 more screens by the end of 2014. Several other theatre chains such as Ranchi-based Eylex Films and Mumbai's Maxus Cinemas as well as Gold Cinema are also setting up two-screen theatres in smaller cities and towns where multiplexes with four to eight screens are not economically viable. "Investors are capitalising on smaller markets where there is a dearth of good theatres," says Tushar Kulkarni, CEO of Republic Film Company, a movie consultancy firm. "Small cinemas with two screens spread over an area of just 6,000 sq ft have become the norm."

"A two-screen theatre in a place like Rajnandgaon [in Chhattisgarh] makes good economic sense because, often, two films are released simultaneously or in consecutive weeks"

SACHIT JAIN
Owner, Silver Screens

What explains the recent interest of theatre chains in smaller markets? Many smaller cities and towns completely missed the multiplex revolution that a large part of urban India experienced starting in the late 1990s when PVR Ltd opened its first multi-screen theatre in New Delhi. PVR and other major multiplex chains such as Big Cinemas, Inox and Fun Cinemas avoided small towns because investing in theatres with multiple screens was a costly option in places where the audience wasn't ready to pay ₹100 or more to watch a movie and where single-screen halls offered people a much cheaper alternative.

Many people also watched movies on pirated video cassettes, as it took almost a month for a film to be released in smaller towns. "That was the analog era and a distributor had to shell out ₹70,000 to ₹75,000 per print. With costs being so steep, the distributor would make only 30 to 35 prints for the entire country and the prints would take two to three months to reach a small town," says Kulkarni.

The economics of the movie exhibition business started changing from 2005 onwards as digital technology gained popularity. Companies such as UFO Moviez and Real Image started offering digital technology that brought down the cost to a fifth of analog prints. This enabled distributors to order more prints and showcase films in theatres across the country on the first day of release. "In the past few years films

were released both in analog and digital formats, but recent films like *Dhoom 3* and *Jai Ho* were released only in the digital format," says Pankaj Jaysinh, Chief Operating Officer, UFO Moviez.

Digitisation provided a boost to the movie exhibition business not just in the metros but also in smaller cities. A case in point is Surat. The industrial town in Gujarat was famous for its video parlours. These parlours previously made money by showing pirated videos of new films within a week of the release of a film in big cities. Today, these have been converted into theatres with one or two screens and show movies with digital prints the same day the films are released across the country. This has helped them earn higher income. The price of movie tickets has doubled to ₹30. During weekends, prices go up to ₹50.

Companies such as Silver Screens and Eylex have seized the opportunity with both hands. While these companies are mostly setting up two-screen cineplexes in small towns, many of them are also reviving single-screen theatres from the brink of bankruptcy.

Eylex, for instance, acquired one single-screen theatre each in Jharkhand's capital Ranchi and Katra in Jammu and Kashmir. The company renovated the two loss-making theatres and doubled the average ticket price to ₹40, with the most premium offering priced at ₹140. It also reduced the number of seats in its single-screen cinema in Ranchi to 530 from 800 as part of efforts to make it profitable. "The theatres, which made just ₹1 lakh a month earlier, are now earning ₹25 lakh per month," says Anand Lohia, Director at Eylex. The company, which has 33 screens in the eastern region, also has a two-screen cineplex in Ranchi. Lohia says the occupancy level at its two theatres in Ranchi is about 55 per cent compared with 30 per cent for multiplexes in the city.

The success of companies, including Silver Screens and Eylex, is encouraging many others to change their business models. Sameer B. Joshi, Director of Chandan Cinema in Juhu, Mumbai, says he plans to open two-screen cineplexes in smaller cities under the brand name Recept, though he doesn't see much merit in converting the single-screen Chandan Cinema into a two-screen theatre. Single-screen theatres such as Mangla and Westend in Pune and Sharad Cinema in Mumbai will soon be converted into two-screen cineplexes, says Ramesh Sippy of Raksha Entertainment, a film distribution company.

Sippy, namesake of the famous director who made the blockbuster *Sholay* in the 1970s, says that as a distributor he would prefer to release his films in a small two-screen cineplex that would give him assured returns rather than go to a run-down, large single-screen cinema hall. "A single-screen theatre with 1,000-odd seats will never be able to get economies of scale," he says. "If a 1,000-seat theatre can be split into two where different content can be shown, it would be more economically viable." ◆

Scripting a new story: A row of video parlours in Surat. The parlours have been converted into single- or double-screen theatres

EYEING NEW OPPORTUNITIES

Silver Screens
It has two-screen cineplexes at Rajnandgaon and Dhamtari in Chhattisgarh and Gondia in Madhya Pradesh

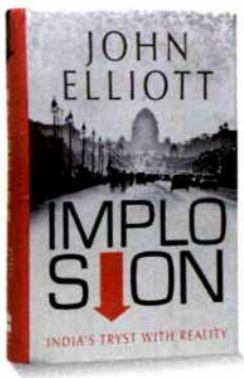
Eylex Films
It has 33 screens in the eastern region, including a two-screen cineplex in Ranchi. It also turned around two single-screen theatres in Ranchi and Katra

Recept
Sameer B. Joshi, Director of Chandan Cinema in Juhu, Mumbai, plans to open two-screen cineplexes in smaller cities under the brand name Recept

@AjitaShashidhar

An Outsider's Inside View

A well-researched and incisive take on the core problems facing India



Implosion: India's Tryst with Reality
By John Elliott
HarperCollins
Pages: 400; Price: ₹699

In his 24 years as a reporter in India for *Financial Times*, *Fortune* and other publications, John Elliott has travelled to more places in this country on assignment than most Indian journalists, including this reviewer, have and likely ever will. That and the rigour of journalism he practises make him a master storyteller on a subject close to his heart: India.

Elliott both delivers and underwhelms in his book, *Implosion: India's Tryst with Reality*. The British writer is clearly an Indologist with a well-honed sense of research that is unique in journalism today. He breaks *Implosion* into seven chapters and 23 sections to make it easy for a reader to choose any one chapter and jump to another one. The chapters are around the 1991/92 reforms; social change sweeping the country; the overwhelming presence of dynasty; governance or the lack of it; foreign policy; Indian traits of *jugaad*, *chalta hai* and *ram bharose* (roughly translated: fix or make things with less, let's settle for average, and god willing); and, finally, coming to grips with reality.

Elliott nicely weaves in India's challenges of balancing growth and environment, the rush to grab land, how rules and systems have been bent to serve individual rather than national interest, the country's frosty relationship with its neighbours, and, provocatively, how its misgovernance is deliberate. A section on Andhra Pradesh (Elliott titles it *Scam Andhra*) is exceptional in its rich reporting and bringing together information via meta-research.

A few things that stand out for me in the reportage in *Implosion*:

- The 'M' document: The author of a July 1990 paper, which formed the bedrock of much of the reforms set off the following year by then prime minister Narasimha Rao and Manmohan Singh, finance minister in the Rao cabinet, was Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission now.
- Tata's unlearnt lessons: After 12 tribals were killed in 2006, Tata Steel realised the need to be involved in local resettlement at its project in Kalinganagar in Odisha. But little of that learning was on display when Tata Motors was faced with industrial India's most visible protests in Singur, West Bengal.
- Rahul, the reticent: Elliott recounts watching Rahul Gandhi and mother Sonia at an art gallery: "...what struck me was how unimpressive Rahul looked on an occasion when he was not performing publicly... That Saturday afternoon, he looked as if he just wanted to fade away."

There are several other untold stories and factoids that frequently mark the book and will tickle readers' minds. Where it fails, however, is on three counts: one, at its core, it echoes the reformist voices – at times, dogmatic and unidimensional – you get to hear among Delhi's benign. Two, Elliott doesn't offer solutions to the problems he so meticulously shines the light on. When I asked Elliott about this, his answer was: just focus on implementation. "It's so much easier to argue policy than try to actually do things," he told me. Three, the book doesn't service its title, *Implosion*, well. Maybe, I find it a little melodramatic because, as an Indian, I am used to all the chaos Elliott talks about.

The nature of a journalist's work – chronicling, really – is such that most live by the "mile wide, inch deep" credo. To that extent, don't expect Pratap Bhanu Mehta or Sunil Khilnani kind of insights in *Implosion*. But Elliott's work is must-read for anyone watching India from abroad and at least a good-to-have-read for those resident in India. ◆

JOSEY PULIYENTHURUTHEL

Elliott doesn't offer solutions to the problems he so meticulously shines the light on. When asked about this, his answer was: just focus on implementation

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Getting a Good Break

Many companies now allow employees to adjust the leave they are entitled to in innovative ways.

By ARUNIMA MISHRA

Taking it easy: Venkat R. Ramamoorthy, a senior manager at FactSet India, took five days off to attend a photography workshop

SAPNA REDDY

Venkat R. Ramamoorthy is passionate about photography. So much that he took five days off from work in January and clubbed it with two weekends to attend a photography workshop in Rajasthan. Such 'adjustments' by employees sometimes irk bosses, but Ramamoorthy did not face any problems because FactSet India, the financial analytics company he works with in Hyderabad, offers employees a Flexi Holidays programme.

What this means is that it allows employees the flexibility of working on holidays such as Holi and Christmas and instead staying away on days of their choice – clubbing these days off with their casual or earned leave or even weekends. That's what Ramamoorthy, Senior Manager for Administration and Facilities at FactSet India, did. "Flexi Holidays give us the freedom to avail holidays at the time of our preference," he says. Ramamoorthy is now planning his next trip – to Ladakh – this summer.

"Flexi Holidays give us the freedom to avail holidays at the time of our preference"

The company, a subsidiary of US-based FactSet Research Systems Inc, is among a growing number in India which offer flexible leave as part of their effort to help employees maintain a healthy work-life balance. So, while companies cannot significantly increase the number of days of leave employees get, they are allowing employees to take breaks based on their preferences and requirements. "As the war for talent intensifies, employee benefits have gradually emerged as a powerful tool to attract and retain key talent," says Anuradha Sriram, Director for Benefits at Towers Watson India. She cites the findings of a September 2013 survey by the

global professional services company which found that 60 per cent companies in India planned to review their employee benefits strategies in 2014 at a time manpower costs are increasing. "We foresee companies moving away from the 'one-size-fits-all' approach to a more customised model by employing a robust benefits framework designed to meet the needs of a diverse workforce."

The trend is most visible in local units of multinational companies or in sectors such as technology where the workforce is relatively young, educated and upwardly mobile. Vikas Awasthi, Managing Director, FactSet India, says the company also offers bereavement and paternity leave to its employees. Manika Awasthi Menon, Director for People Success at Sapient India, says the marketing and consulting company offers – apart from mandatory leave – additional maternity leave, paternity leave, bereavement leave, short-term paid and unpaid leave, and longer-term sabbaticals to employees. "People at Sapient are encouraged to take vacations and periodic reminders are sent to individuals and supervisors so that they don't lose sight of this," she says. "Innovative working policies have helped us boost retention."

Many organisations are also allowing employees to accumulate more earned leave. Typically, employees at most companies can accumulate 30 to 90 days of earned leave which they can cash in equivalent to their last drawn salary when they quit. Automaker Mahindra & Mahindra (M&M) has, however, set the limit at 300 days. Also, employees must take privilege leave for 14 days a year to recuperate and pursue an activity they would not be able to do otherwise, says Prince Augustin, Executive Vice President for Group Human Capital and Leadership Development at M&M. "He/she could travel to the Himalayas, indulge in sporting activities or just chill out."

M&M also offers an extra seven days off to employees who adopt a child, as well as six months leave on half pay to those suffering from a critical illness and have exhausted their earned leave. One employee who availed the six-month sabbatical from January to June 2012, is Ketan Doshi. Doshi, Vice President for Special and Strategic Projects at M&M, says he spent the time with his kids and in pursuing his hobbies such as travelling, photography, reading and paragliding. It was a relief to get only five emails a day during the sabbatical compared with 75 previously. "I was very refreshed after the break, especially because the 24 months prior to the sabbatical had been extremely hectic due to four major M&A [merger and acquisition] projects."

LIVE AND LET LEAVE

Mahindra & Mahindra allows employees to accumulate earned leave for up to 300 days

Apollo Munich lets employees donate leave to a common pool which others too can use

FactSet has a 10-day Flexi Holidays scheme

Genpact offers 84 days off to single persons who adopt a child

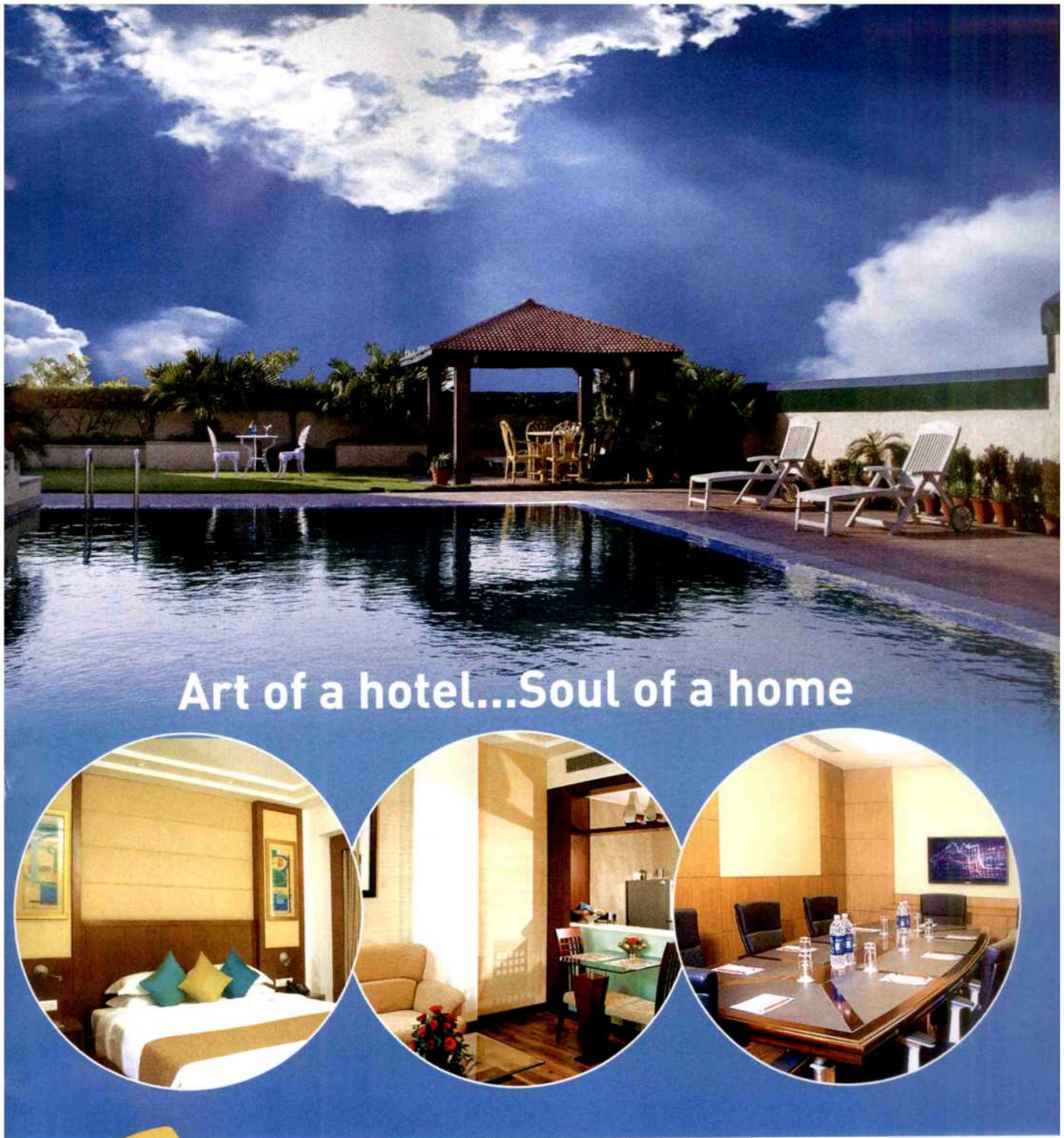
FactSet and Sapient provide employees bereavement leave and paternity leave

Genpact, the Gurgaon-based business process outsourcing company, also permits employees to go on sabbatical ranging from three months to a year to acquire new skills or pursue higher education, says Urvashi Singh, Vice President for Human Resources. There are a few riders, though. The sabbatical is without pay and the employee concerned must have worked at least three years with the company, with a good performance record. It also allows single people who adopt a child to stay home for up to 84 days.

Another perk some companies are offering is pooling of leave. Says Asim Handa, CEO of recruitment and staffing company Gi Group India: "Leave is pooled instead of categorising it separately as casual, personal, medical or earned. Employees can take leave at their convenience," he says. The company has been providing this facility for more than 10 years, he adds.

At Apollo Munich Health Insurance, employees can also donate leave. The programme allows employees to voluntarily transfer accrued leave to a 'leave bank' that will then help co-workers avail this facility in emergency situations such as hospitalisation of a family member or an accident. There are other adjustments. "Where leave in excess of a few days or weeks is required, we make a deviation by providing the work from home benefit, giving paid leave as well as adjusting from the next year's balance," says Sriharsha A. Achar, Chief People Officer at the insurance company. He says that about 30 employees, or three per cent of its workforce, have used the pooling facility in the 35 months since the programme began. The facility ensures employees don't lose their salary, which they would otherwise had done if they extended their leave beyond the 24 days of paid leave allowed. "It is fostering great camaraderie," he adds. ◆

@Mishra_Arunima



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Hector & Streak Consulting Pvt. Ltd.
Head HR
Location: Bengaluru / Bangalore
Job ID: 14798034
Description: Candidate must have minimum 8yrs of post MBA experience in HR generalist role preferable in service driven organization.

Golden Opportunities Pvt. Ltd
Head of Section - Inspection
Location: Mumbai
Job ID: 14875199
Description: At least 5 years' experienc managerial position, managing a dece sized work-force and holding P responsibilities.

UnitedHealth Group
Deputy Manager-General Accounting
Location: Hyderabad / Secunderabad
Job ID: 14734309
Description: This position requires the candidate to have a good understanding of General Ledger close process with strong accounting background.

WNS Global Services Private Limited
Sr. Group Manager
Location: Pune
Job ID: 14691516
Description: Manage all the Quality ser levels signed with the client. Ensure "no on commercials (Quality metrics) managing any service level related projec

Replicon
Senior Manager, Customer Support
Location: Bengaluru / Bangalore
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Description: Looking for a Senior Manager, Customer Support to lead and manage Replicon's highly skilled Product Support Engineers.

Piramal Enterprises
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Robert Bosch Engineering and Business Solutions Limited
Embedded C/C++ Developers
Location: Bengaluru / Bangalore
Job ID: 14845198
Description: Willingness to work on C++ Object oriented Programming, UML.

Cognizant Technology Solutions India Pvt Ltd
Mongo DB
Location: Bengaluru / Bangalore
Job ID: 14576922
Description: Perform Mongo DBA Operational Routines, Monitor the database Status, Perform Operational user requests etc.

Sungard Solutions India Private Limited
Software Engineer
Location: Pune
Job ID: 14814213
Description: Design, Develop and Maintain loaders written in C and Java for loading data in the databases.

Thomson Reuters
Senior Systems Engineer
Location: Hyderabad / Secunderabad
Job ID: 14828462
Description: 6+ years of overall software experience with at least 5 years in SQL Server administration and development.

Tech Mahindra Limited
Oracle Retail DBA
Location: Bengaluru / Bangalore
Job ID: 14821080
Description: DB admin of Oracle Retail MOM Suite of apps – RMS, ReSa, Allocs, ReIM, RPM, RTM.

Perficient India Private Limited
Tibco Consultant
Location: Chennai
Job ID: 14865578
Description: Looking for Tibco Consultant in chennai location.

Virtela India Private Limited
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Job ID: 14412120
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Mindteck (India) Limited
Direct Sales Manager
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Job ID: 14845023
Description: Drive revenue by prospecting and building pipeline while building strong personal relationships with potential and existing clients.

Leapahead Global Manpower Soluti
Sales and Marketing Executive
Location: Delhi
Job ID: 14813548
Description: Good Communication is must.

2COMS Consulting Private Limited
Sales Executive
Location: Hyderabad / Secunderabad
Job ID: 14768922
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Kelly Services India Private Limited
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Description: Sales / Busi Development, Providing the best cust service and sales possible, Prepa merchandise for sale, Assisting in display of merchandise.

Vitasta Consulting Pvt Ltd
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Location: Mumbai
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Description: Achieve top-line, market share and bottom-line targets for the brands assigned.

CRY-Child Rights and You
Senior Manager - Donor Relationships
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CareerNet Technologies Private Limited
Finance Controler
Location: Delhi, Noida
Job ID: 14840274
Description: Drive overall direction across Financial Reporting, Accounting & Internal Controls, Financial Analysis, Forecasting & Budgeting and Cash Flow Management.

NCR Corporation India Pvt. Ltd.
Credit & Collection Executive
Location: Bengaluru / Bangalore
Job ID: 14801564
Description: The management of Accounts receivable including the enforcement of local credit & collections policies, collection of outstanding receivables etc.

EXL
Accounts Manager
Location: Bengaluru / Bangalore
Job ID: 14641072
Description: Perform Month end GL close activities, Bank Reconciliations, Balance Sheet Account Reconciliations, Inter-company reconciliations and other related reports.

NIMT Group Of Institutions
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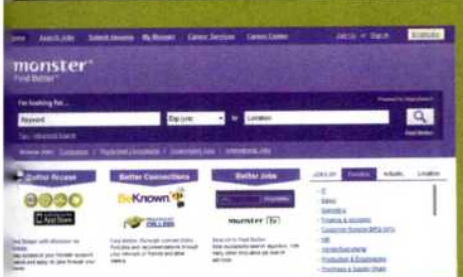

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Mark Eyers
Chief Content Officer (Kids), Asia-Pacific, Turner Intl

No Kidding

MARK EYERS is elated that his channels Pogo and Cartoon Network have the highest viewership share in the kids entertainment genre in India. While Pogo has been the undisputed No.1 for some time now, Cartoon Network managed to secure the second spot recently, overtaking Nick and Disney. "I can't think of another media company which occupies both the first and second positions in a particular genre," says the Chief Content Officer (Kids), Asia-Pacific, at US-based Turner International. What of the future? Says Eyers: "We have launched our other global franchises, such as Steven Universe and Mixels, in India. The idea is to double our focus on comedy in India."

AJITA SHASHIDHAR

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Come, Fly with Me

She was Yves Saint Laurent's muse for seven years, modelling for niche brands such as Chanel, Dior and Valentino across Europe. But **SHEENA DE BOISGELIN** then moved on to acquire an MBA and work with British multinational firm International Computers and French aircraft manufacturer Dassault Aviation. She has since been strategic advisor to many firms, and now one of the biggest operators of private jets, VistaJet, has appointed her its India head. "I am currently shuttling between Paris and India," she says. Her mandate is to rope in ultra high net wroth individuals to charter VistaJet's aircraft. Boisgelin says she has identified quite a clutch of them already. The firm will get two India registered aircraft soon and plans on getting into partnership with an Indian player for domestic operations.

MANISHA SINGHAL

Sheena de Boisgelin
Country Head - India,
VistaJet Holdings

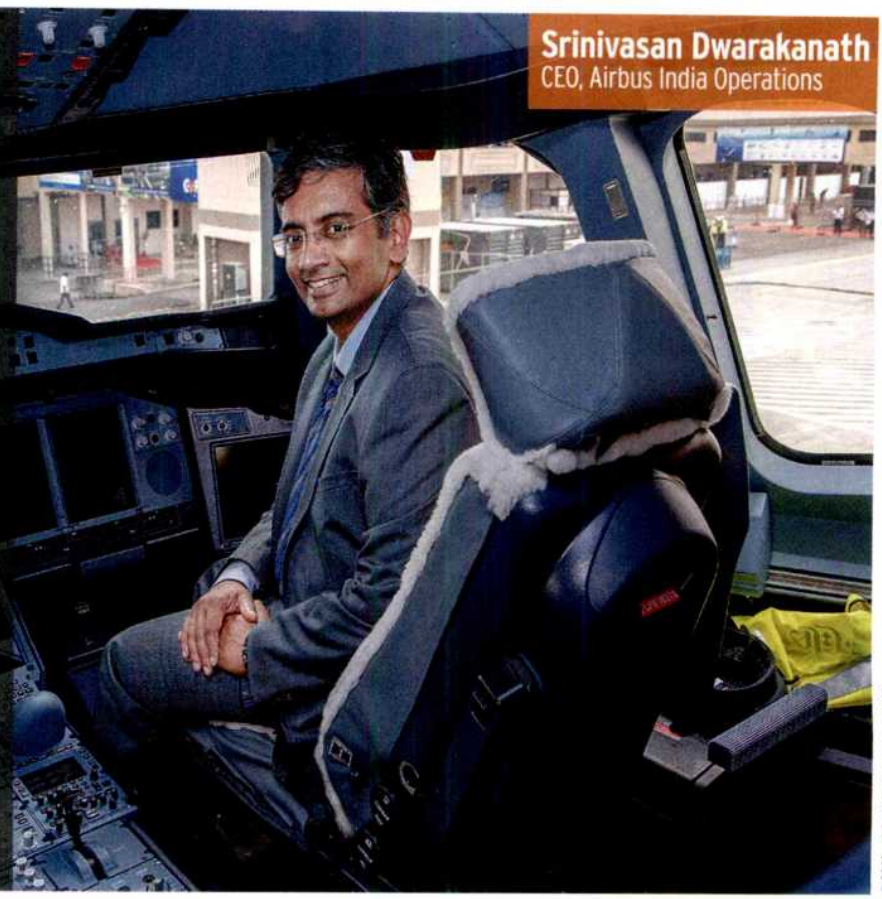
NISHIKANT GAMRE/WWW.INDIATODAYIMAGES.COM

Perfect Landing

He has a doctorate in design engineering from Cambridge University. Having joined leading European aircraft manufacturer Airbus in 1997, SRINIVASAN DWARAKANATH will now lead its India operations. Happy about Airbus scaling up in India, he said the step would give the company a clear focus and also act as a one-stop shop for its partners. Airbus currently has 60 per cent of the aircraft market in India. Dwarakanath's expertise will surely be leveraged by Airbus in coming days in one of its important markets.

MANISHA SINGHAL

Srinivasan Dwarakanath
CEO, Airbus India Operations



A. PRABHAKAR RAO

Sanjay Bhatia
Vice Chairman/MD, CIDCO

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Human Dynamo

SANJAY BHATIA, 55, is the man who, as Vice Chairman and MD of CIDCO, has been able to get the ₹14,574 crore Navi Mumbai International Airport going. It had stayed stuck since 2007 due to environmental issues, land acquisition and compensation hurdles. "It took my team all of eight months," he says. He reworked the way compensation is given, making the terms generous and transparent. Bhatia, who also networked with top corporate houses, is confident that at least 12 airport companies will bid to build the airport. Earlier, as sales tax commissioner, he raised sales tax revenues to ₹65,000 crore from ₹26,000 crore during his tenure and also restructured the Maharashtra State Electricity Board into three different companies.

MANISHA SINGHAL

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Making Waves

SØREN SKOU is a veteran of the giant Danish shipping line Maersk, having spent more than 30 years with the company. He became CEO of Maersk Liner Business in January 2012. Skou's recent visit to India coincided with Maersk 'P3 alliance' – a global collaboration with two other shipping giants – becoming operational. Maersk has also announced a Far East alliance with India and other shipping partner countries of the region. "India is where we have the most employees," says Skou. "We are here for the long term. What we are providing is one of the things India needs for its future growth – logistics, transportation and port infrastructure." says Skou. The group currently serves 14 Indian ports.

MANISHA SINGHAL

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MD, Xerox India

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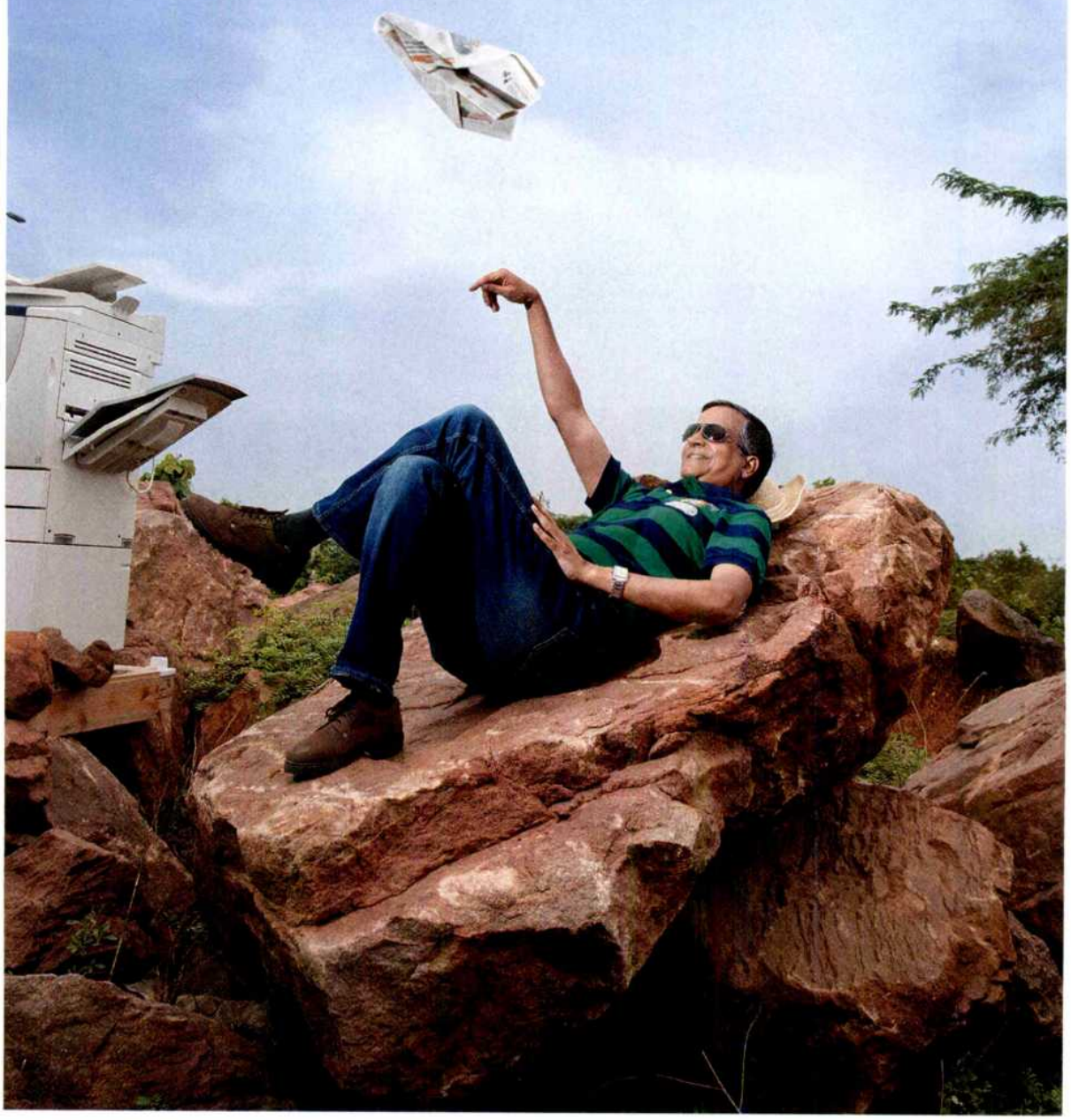
My first job
At Hindustan Lever (now Hindustan Unilever). It taught me the fundamentals of sales and people management, and helped me understand the meaning of professionalism and meritocracy

My first boss
He was a taskmaster! The first few years of my career were rigorous. In hindsight, those were years of great learning, a blessing in disguise

My first promotion
It came after over five years, was long awaited and I think, well deserved. Those five years of pushing the boundaries, addressing the challenges and giving my best did pay at the end

My first disappointment
A 'strategic' document I had worked very hard on was turned down by one of my early managers without even being looked at. It was frustrating and demotivating

Photo and text by Vivan Mehra



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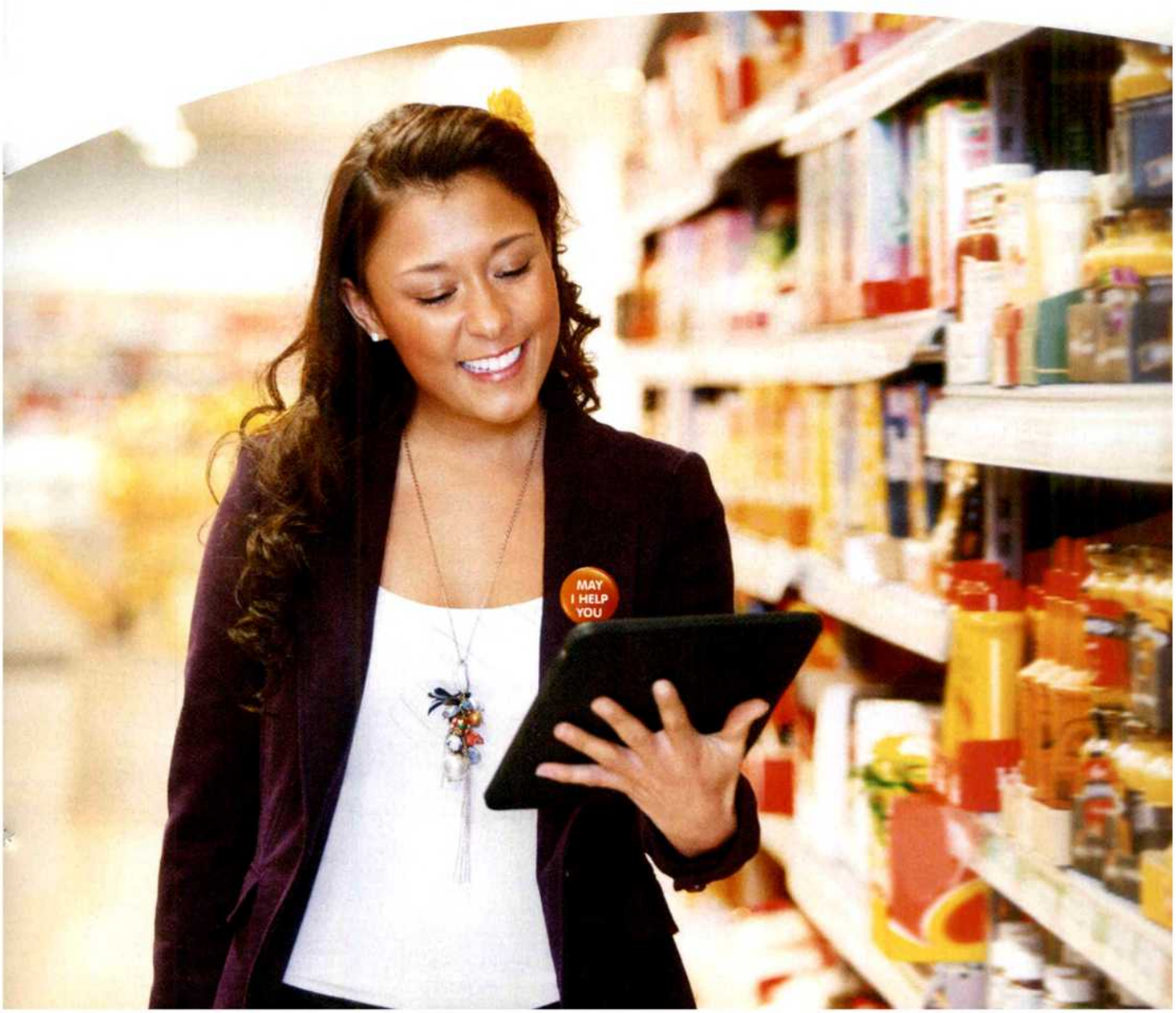

FROM THE MANAGING EDITOR

One India, No Bharat

Why would India's most-read business magazine put elections on its cover? Much has been said about the two distinct countries – one made up of our cities, India, and one of our villages, Bharat. The distinction was first made to me by N. R. Narayana Murthy, the coder-turned-thought leader at Infosys, sometime in the late-1990s. The point he made was that Indians should reconcile with how there will be stark differences between the two in the medium and long term. That was true then. Convenient as it is to still bracket the country into these two silos, the India-Bharat distinction is fast turning fuzzy today after two decades of growth more than quadrupled GDP, making it a middle income country by per capita – no mean achievement for the world's second-most populous nation. (To be sure, both India and Bharat lag on social indicators, except in pockets.) Together with aspirations fuelled by access to information and a swelling young population, a road network worming its way upcountry, and new models of enterprise hungry to expand, the barriers to entry into India from Bharat have all but collapsed. Much of this is known and I won't be telling you anything stunningly insightful if you have been regularly reading *Business Today*.

What is going to be new, likely, is the outcome of the Indian general elections as a result of this growing coalescence. For the first time, says a not-much-talked-about survey by a respected think tank, the trends in urban and rural voting will be less divergent than in the past (one in three Indians live in our cities and towns). A survey of 51,000 Indians by the Devesh Kapur-run Center for the Advanced Study of India (CASI) at the University of Pennsylvania found that urban and rural respondents ranked economic growth, corruption and inflation more or less the same. See a pithy blog by two CASI researchers on *Financial Times* (free but registration asked for) here: *http://bit.ly/casisurvey*. The findings of the survey, if borne out in the outcome of the elections, bode well for India. Governments will be more responsive to the economic well-being of its people rather than continue to pull levers of caste and regions. Yes, I am being stubbornly optimistic; like most things in India, this is a work in progress and we will see the transition over a decade or two.

That, hopefully, answers the question why we have the elections on the cover. I have earlier called these elections the most important that Corporate India has faced to date, seeped as the country is in a stasis of its own making. It is good for the economy that the focus in these elections is sharply on jobs, inflation, corruption, and income growth (ignore the barbs that leaders of political parties trade and make headlines). And, also that elections in this country have a way of flushing out black money like no other event. Read Special Correspondent Sarika Malhotra's juicy story on how that happens on page 42. Read also her story on how the employment guarantee scheme MNREGA is being gamed in the age of Aadhar-linked bank transfers (page 66). Part of the package is a deep dive discussion on page 60 on what the economic agenda for the next government should be, why 24x7 electricity is a game-changing idea for India (page 74), and the campaigning style of five CEO-types in the elections, sun block, social media and all (page 52).

The Reserve Bank of India is not one to be swayed by the confidence among right-wing cadres and supporters that a stable coalition led by the Bharatiya Janata Party will form government at the Centre after May 16. Governor Raghuram Rajan prefers to stay cautious and, as Senior Editor Anand Adhikari analyses on page 16, is keeping his powder dry in case there's a run on the rupee. India Inc, I am happy to report, is less pussy-footed. For the second quarter in a row, *Business Today*'s Business Confidence Index, running for 13 quarters now, shows an uptick (page 24).

Josey Puliyenthuruthel

josey.john@intoday.com
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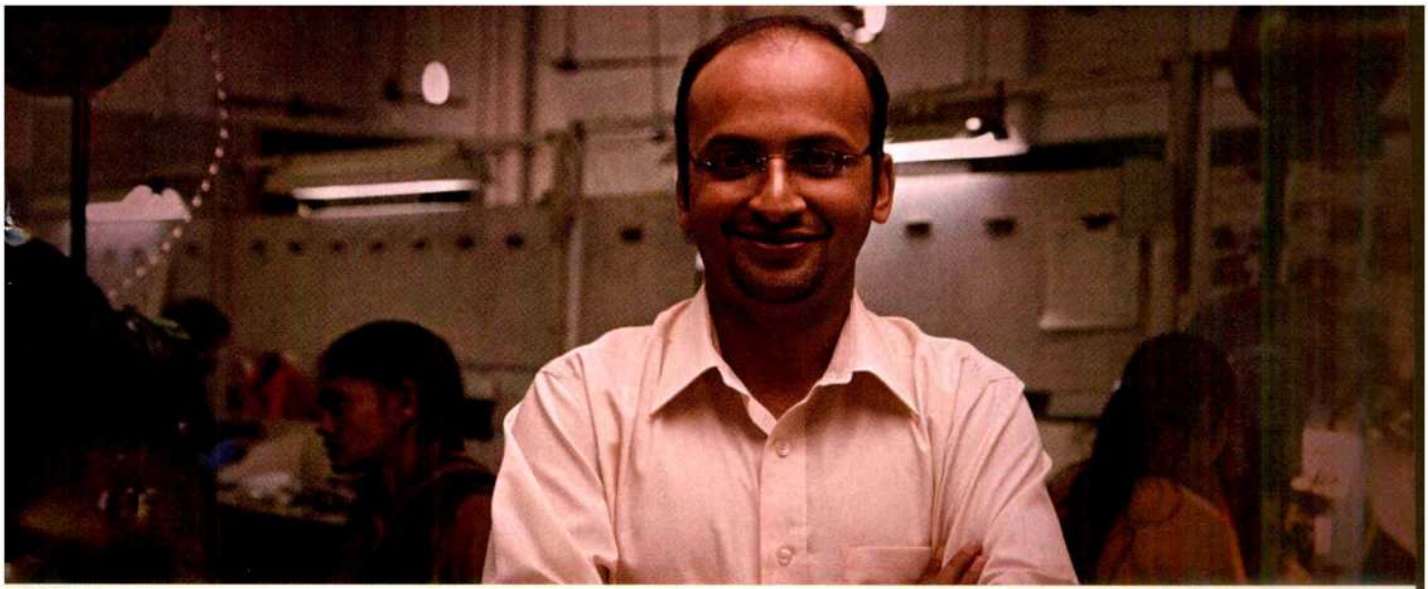

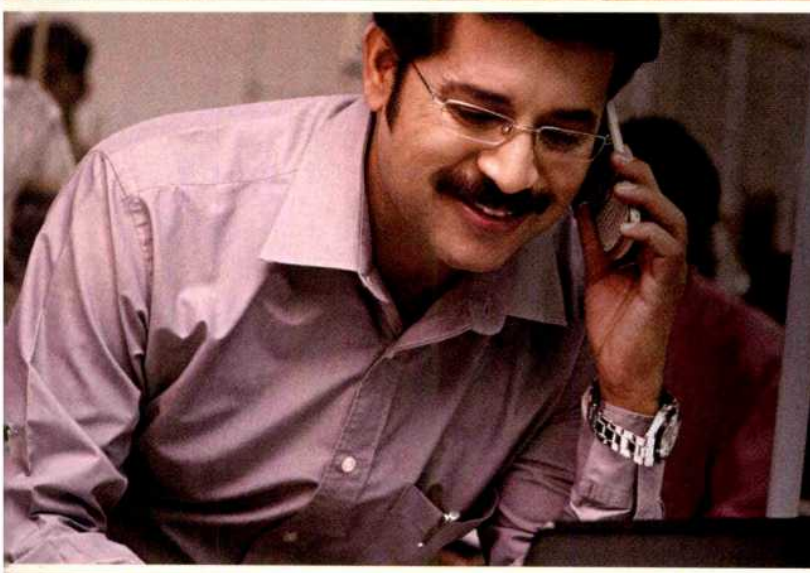

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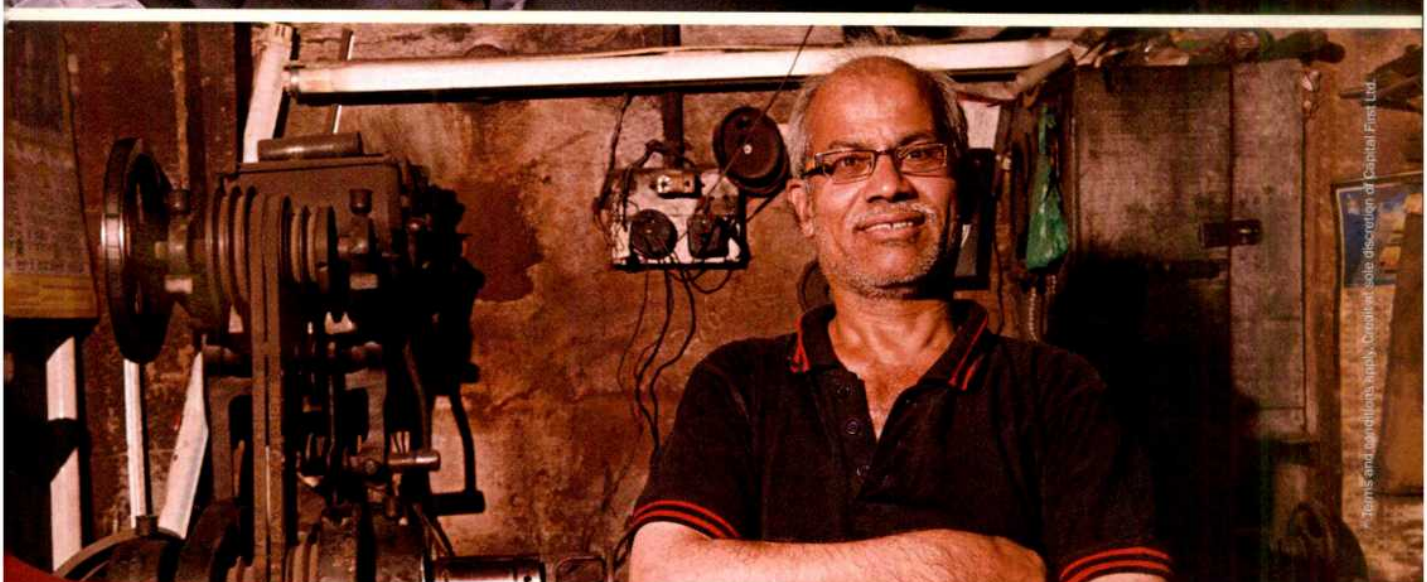

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Re: Letters to the Editor

Cool Customers

Your cover story on India's *Coolest Start-ups* (April 13) has analysed how the ideas can be nurtured and dreams translated into dollars through sheer enterprise, by leveraging the latest technology. Each of the 16 start-ups, chosen by an illustrious jury of five, is a test case in innovation, creativity, and out-of-the-box thinking. May the tribe of such start-ups increase to create a more positive image of "*Mera desh mahaan*" globally, and propagate the new idea: "*Hum kissi sey kum nahin*". Kudos to the *BT* team for bringing out this special collector's edition.

J.S. Broca, *New Delhi*

Win-win Conclave

With its theme of "winning", the India Today Conclave has shown the way (*You Can Win Them All*, April 13). As Aroon Purie, Editor-in-Chief of the India Today Group, said at the Conclave: "We need a leader who can unite people and unleash India's potential." Time, along with our need, indeed compulsion, will produce such a leader. India has abundant natural sources. We need reforms to satisfy people and to educate and convince them to use the latest technology that causes the least damage to environment. We should aim at achieving self-sufficiency in energy using non-conventional methods like solar to the full.

Jacob Sahayam, *Thiruvananthapuram*

The Importance of Being Human

Thanks to *Business Today* for publishing the informative piece on the HR Conclave (*Managing the Human Factor*, April 13). It has been very well presented with views from eminent leaders in Human Resources representing a cross-section of industry. In this competitive milieu, management of HR is critical in shaping the growth of any organisation to give it a winning edge. For wise decisions on policy matters, the top management of an organisation must keep interacting with employees at frequent intervals to get the vital inputs needed for developing quality and innovative products, and to meet the ever-growing needs of customers. Continuous market research and analysis is another key factor for the success of an organisation.

Srinivasan Umashankar, *Nagpur*

Correction

The Editor's Letter *Hungry and Foolish Ind-ennials* (April 13) says "Leadership researchers and practitioners have been telling us for some time now – 5,000 years if count Buddha...". It should have been "2,500 years".
We regret the error.

Send all your comments to: editor.bt@intoday.com

www.facebook.com/BusinessToday

PAN-less election candidates with assets over ₹5 crore are likely to come under I-T scanner.
It is the right initiative to weed out tax-evaders.
- Artha India

Suzlon Group acquires Big Sky Wind Park in the US.
What happened to all the loans Suzlon took from PSU banks? Have they been written off? **- Parthasarathi Doraisamy**

DTC draft retains exemption limit; proposes 35% tax on the super rich.
Tax on the super rich is a good idea to generate additional revenue.
- Aman Jaisukh Thakkar

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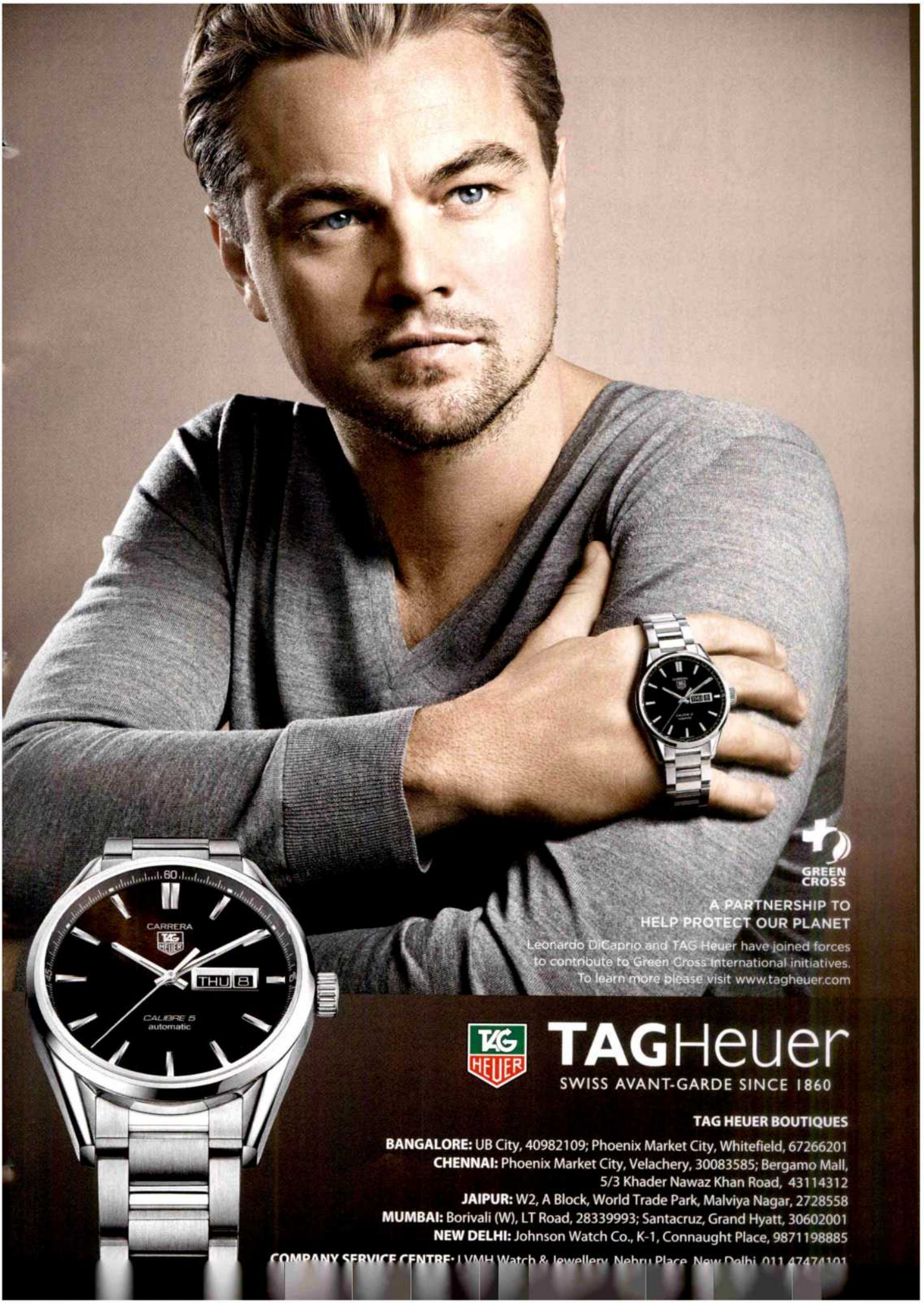
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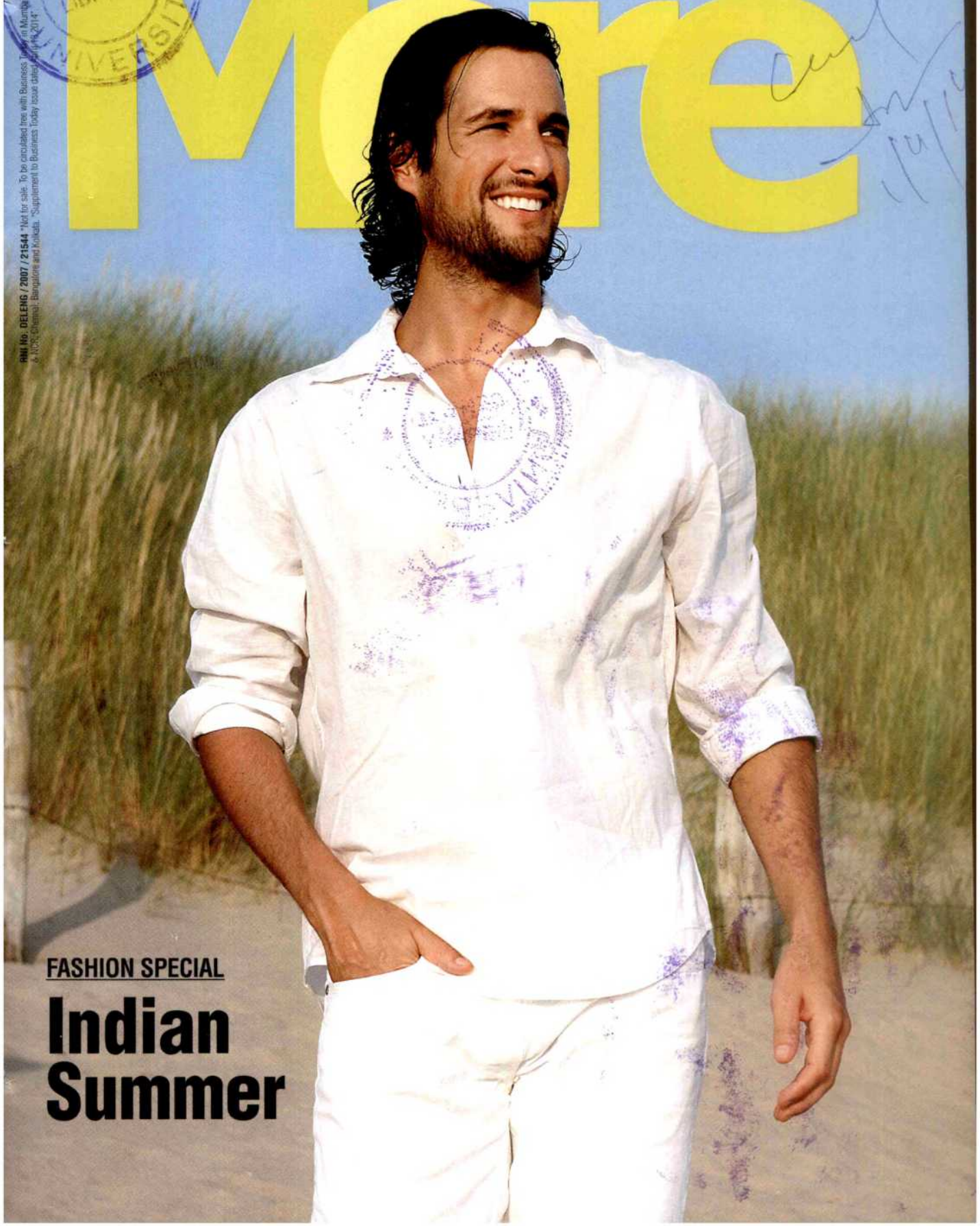

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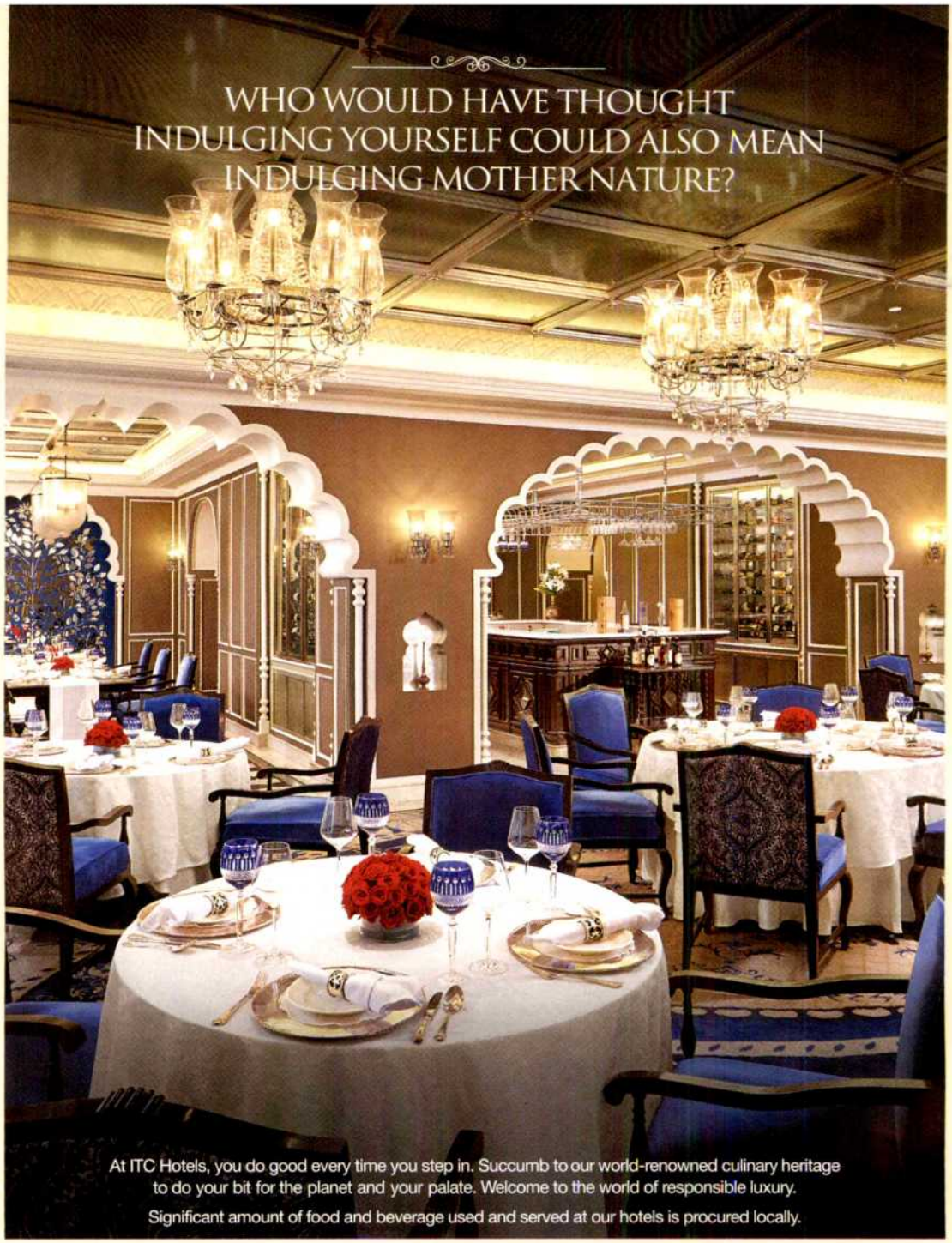

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SACHIN RUHIL

PHOTO EDITOR
VIVAN MEHRA

PRODUCTION
HARISH AGGARWAL
(CHIEF OF PRODUCTION),
NARENDRA SINGH, RAJESH VERMA

GROUP CHIEF EXECUTIVE OFFICER
ASHISH BAGGA

GROUP SYNERGY & CREATIVE OFFICER
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GROUP BUSINESS HEAD
MANOJ SHARMA

ASSOCIATE PUBLISHER (IMPACT)
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SENIOR GENERAL MANAGERS (IMPACT)
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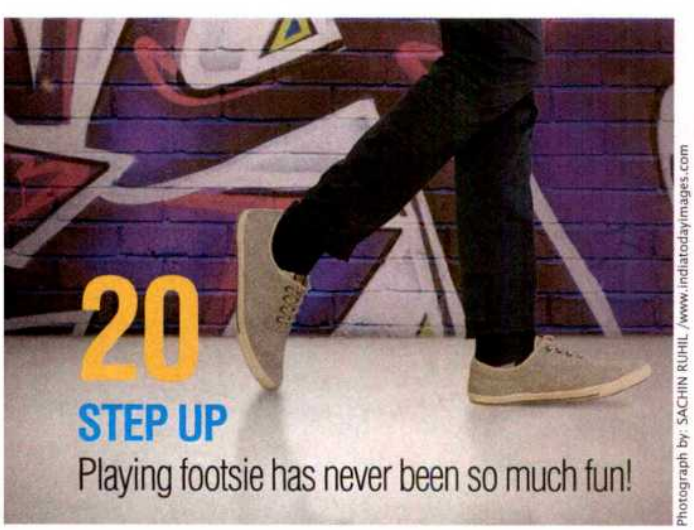

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STEP UP
Playing footsie has never been so much fun!

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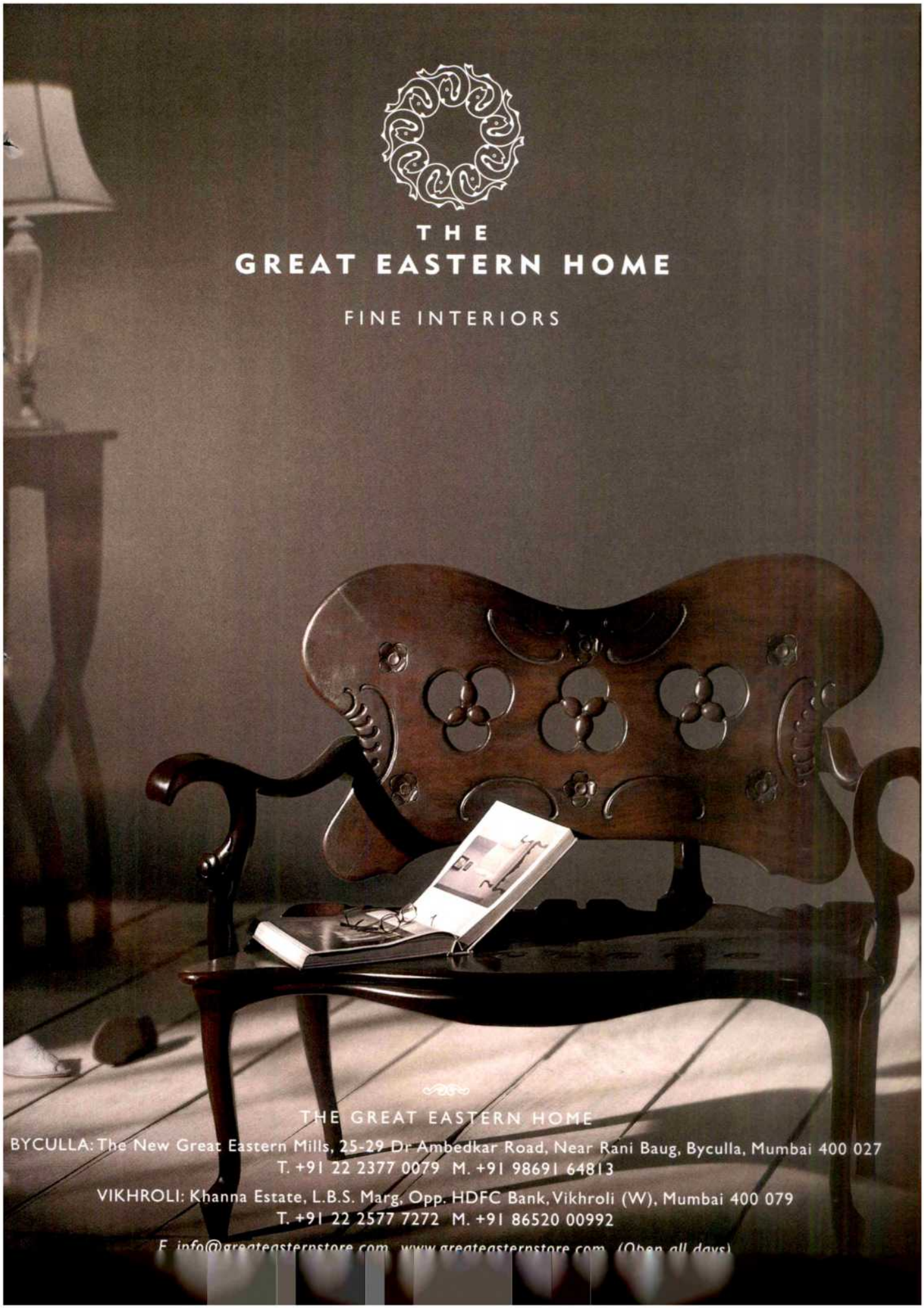
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A Bubbly Pair

Pascal Tingaud, chef par excellence, suggests champagne and food combinations for your finer sensibilities.

BREAK TRADITION

Champagne, owing to its myriad connotations (whether celebratory or congratulatory), is quite the royalty in the alcohol hierarchy. But you may just be missing out on the chance to truly savour champagne and explore all its facets by limiting its role to particular occasions. A bottle of bubbly is usually popped at the end of a party and then served with dessert, which has the potential to underplay its smoothness.

PICK IT RIGHT

For a party, explore the option of alternating between vintage and non-vintage champagnes across courses. A classic vintage can bring out the discrete flavours of each ingredient, so consider pairing an entire meal with bottles of the same bubbly. Save the prestige cuvees for smaller intimate gatherings when you can savour the notes at leisure.

BUBBLY CONTENT

As champagne has a particularly high acidic content and very low levels of sugar, its maturity determines how amenable it is to pairing with food ranging across a broad spectrum of flavours. Sweeter demi-sec champagnes work best for desserts, specifically berries, angel food cake and lemon tart. Don't ever use champagne in cooking because its delicate essence gets subsumed in the stronger aromas of food.

MADE FOR EACH OTHER

Champagne made from red pinot noir grapes goes well with robust flavours like meat and cheese. For fish spiced with lime or salsa, you need champagne made from chardonnay grapes, which are higher in terms of sharpness and minerality. These specifications, however, are flexible because a really good vintage that has been aged for more than three years from the time of harvest will go well with anything, ranging from poached salmon and fried mushroom to risotto barbecued chicken and salads.

Chef Pascal was in New Delhi for the Dom Perignon Gastronomy programme

4 upcoming video games

Titanfall

From the geniuses behind Call of Duty, Titanfall is expected to be as good, if not better. In this thrilling multiplayer game, you can unleash bullets with gay abandon while manoeuvring through vertical maps.

Dark Souls II

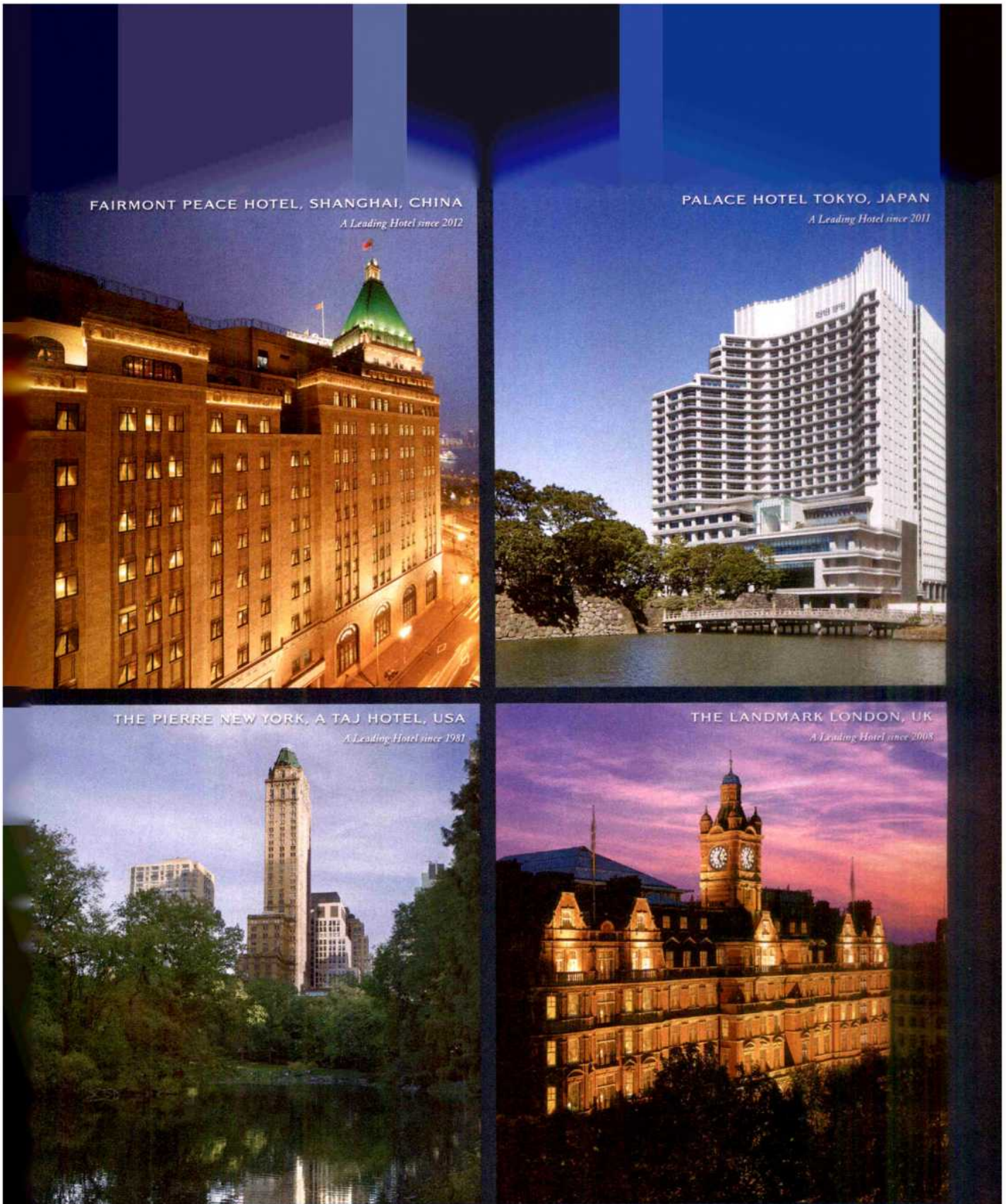
The road through this game is fraught with danger. Giving users no easy mode option, Dark Souls II continues the tradition of tantalising hardcore fans with challenging gameplay and stunning graphics.

Destiny

From the house of Bungie and the brains behind Halo, Destiny promises to be quite a stunner. Armed with dynamic graphic elements, it may well start a revolution in the gaming world.

Thief Series Reboot

Don master thief Garrett's billowing cloak as you take the hard way out to restore order. The three-dimensional stealth game holds the promise to be just as addictive.



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Quit horsing around, and mount

Horses are used to being mounted from the left side. Face the saddle from port and shorten the inside rein, making sure you have a good grip on it all the while.

Lift your foot into the stirrup and, keeping the weight on the ball of your feet, grab the front of the saddle. In case of an English saddle, grab the pommel.

Put your weight on the stirrup and pull yourself up in the manner of climbing stairs. You could ask a friend to push down the other stirrup so the saddle stays steady.

When your belly is level with the horse, swing the back leg over to the other side without bumping into the horse. Lower yourself gently into the seat and adjust it.

COURTESY WIKIHOW

It's Always Tee Time

YOU HAVE GONE AHEAD AND enrolled yourself in a posh golf club, but before splurging on that absolutely coveted set of clubs, make sure you get the best fit. These pricey babies do not belong in the one-size-fits-all category.

MEASURE

Shopping for golf essentials is fun, but it is also a highly meticulous procedure. To zero in on the right pair of golf clubs, start with measuring your height. Take another person's help for the second step. Stand straight with feet slightly apart and bend your wrist (left, if you're right-handed) upwards till a crease forms on the skin where the hand and wrist meet. Use a measuring tape to measure the space between the crease on your hand and the floor. Now, consult the two golf club length charts with these two measures as reference for the recommended length of each club.

FEEL

The grip thickness of the clubs determines the smoothness and control you have over a swing. Ideally, the middle and ring fingers of your left hand should just barely touch the pad of your thumb.

HIT

Clubs with perimeter-weighted heads are apt for beginner golfers. The larger contact area lends a degree of confidence and keeps your misses within non-embarrassing levels. Graphite shafts are light and have more weight concentrated in the head, and are better than unwieldy steel shafts.

SWING

Medium-stiff and stiff shafts generally work well, but shafts that cross the fine line into 'too stiff' don't let you feel the clubhead during the swing. If your swing makes a loud swishing noise, get a stiffer shaft. If your swing makes no noise at all, go for a regular shaft.

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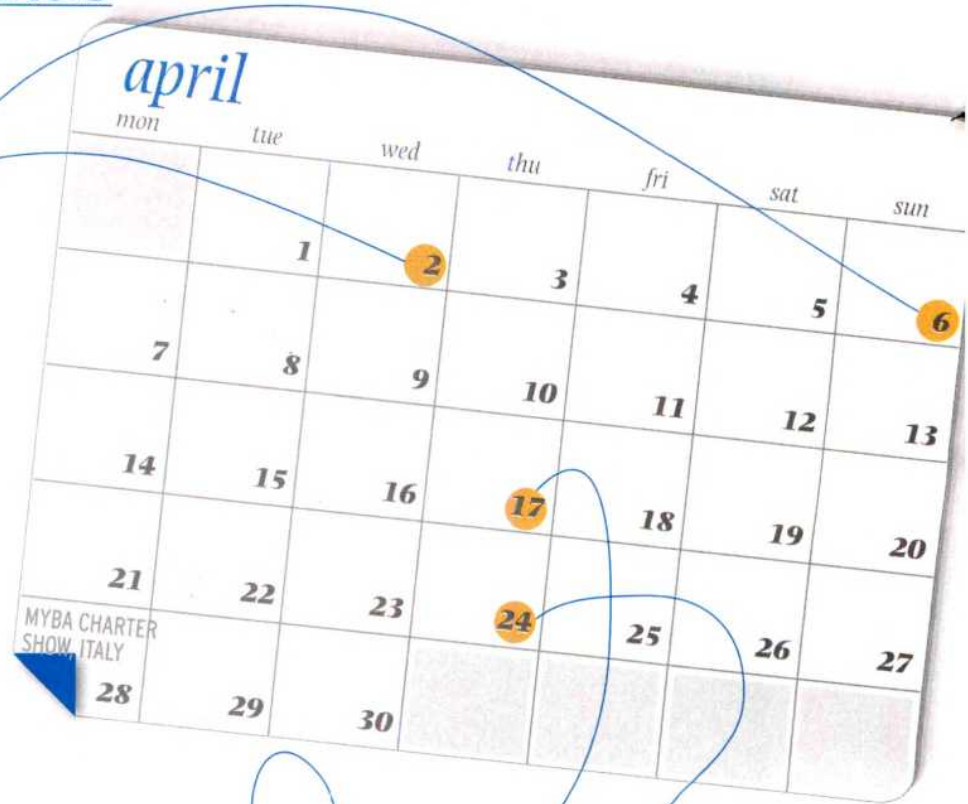

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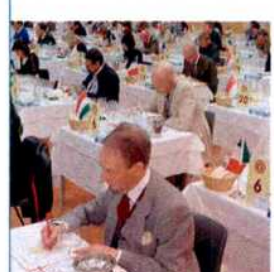

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VINITALY 2014, VERONA, ITALY

This reputed wine and spirits exhibition is a meeting ground for some of the most prestigious wine and spirits brands across the world with people who love savouring them. Last year, Vinitaly witnessed a record 1,56,000 visitors from over 110 countries. You can expect the numbers to only go higher this year. Visit vinitaly.com.

17-20 April

TOP MARQUES MONACO, MONACO

Are you an automobile lover? Time to head to the exciting Top Marques Monaco being held at the prestigious Grimaldi forum. This annual super car show, which is nothing short of sheer excitement, saw more than 33,000 visitors last year. Now in its 11th edition, the four-day extravaganza is getting racier than ever. Visit topmarquesmonaco.com.

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The Google Glass concept is initially being tested by Virgin as a six-week project ▲

IF YOU ARE PLANNING TO FLY business or first class from London Heathrow airport on Virgin Atlantic, don't be alarmed to find yourself face-to-face with airline employees wearing a wide grin and the latest technological marvel to hit the market — the Google Glass. The wearable technology, along with the Sony Smartwatch 2, will be used to identify and greet passengers by name and provide the latest updates on their flight information, weather and local events at their destination. A development that has been touted as the first step towards 'smart' flying, it is being tested by Virgin as a six-week pilot project before considering a wider roll-out. The airline also foresees potential for the technology to deliver more personalised services, such as identifying travellers' food preferences and travel habits. Heading towards a flying revolution, are we?

YOUR VISA IS A CLICK AWAY

For those tired of waiting in serpentine queues at visa offices, here's some long-awaited good news. Emirates, which operates flights to 141 destinations across the world, has launched a new customer initiative that promises to make travel easier for globetrotters across the world. Through the programme, brought about in partnership with Visas of the World, Emirates' customers can apply for travel papers to as many as 10 international destinations at the click of a button. As an introductory offer, Emirates also announced the waiver of the visa service fee for the first 100 visa applicants. Airline customers can log on to www.emirates.com/in to apply for visas to UK, USA, Canada, Switzerland, France, Germany, Italy, Netherlands, Nigeria and South Africa.

AFTER WALL, A TUNNEL FOR CHINA

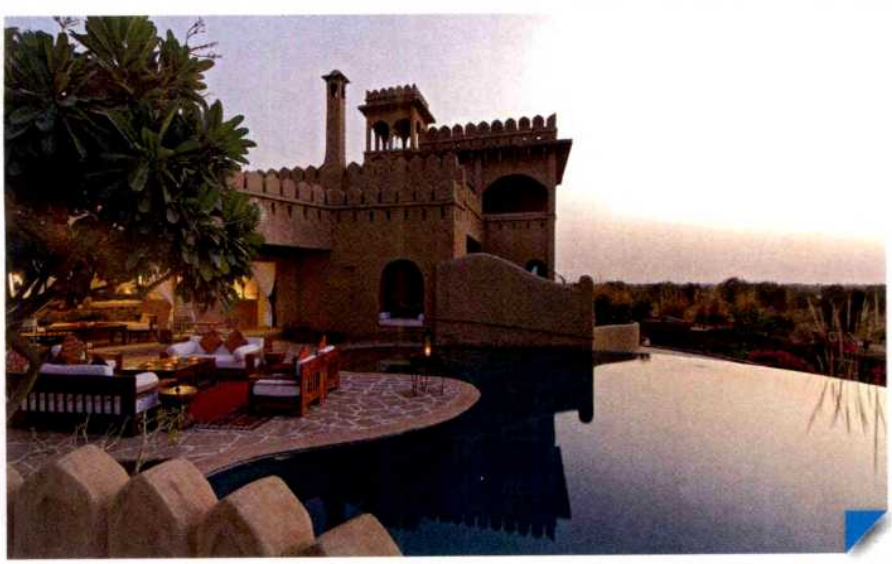
If you enjoyed chugging all the way from UK to France through the Channel Tunnel (in pic), here's a piece of information that will make you go wild with excitement. China plans to construct the world's longest passage below sea level from Yantai in Shandong to Dalian in Liaoning, cutting the journey time between the two far-off provinces to as little as 40 minutes. Once the blueprint is approved by the administration, work on the 123-kilometre tunnel will start early next year – costing the Chinese exchequer $36 billion and giving tourists across the world another momentous attraction to look forward to.

RETURN OF THE SUPERSONIC JET?

Take heart, all ye who bemoan the retirement of the Concorde. Boston-based Spike Aerospace plans to develop a 12-18 seater supersonic private jet capable of flying from New York to London in just under four hours. The aircraft, named Spike S-512 and made at a cost of $80 million, would be capable of touching 1,935 kmph – twice the speed of conventional jets. But as many hurdles lie in its way, especially an American rule prohibiting supersonic vehicles, here's to speeding the paperwork along!

INDIA'S OASIS OF LUXURY

There are luxury hotels of all shapes and sizes across the world, but Lonely Planet is of the firm belief that the most distinct among them is Mihir Garh, a fort built from scratch in the middle of the Thar desert in Rajasthan. Named as 'the most extraordinary hotel in the world' by the travel guide book publisher, Mihir Garh (Fort of the Sun) was a labour of love for owner Sidharth Singh — who engaged more than 100 local craftsmen



Mihir Garh was chosen as the world's most extraordinary hotel by Lonely Planet ▲

and carpenters to create nine 1,700-sq feet suites over a period of two years. In the second place came Planet Baobab, a collection of grass and mud huts with an onsite "shebeen" (bar) in the Makgadikgadi salt pans of Botswana. Other extraordinary hotels include a collection of spherical treehouses suspended in a Vancouver Island forest, a 1869 lighthouse on the Hudson river, NY, and a cave hotel in Cappadocia, Turkey.

TRAVEL LIGHT? MAYBE NOT

Whoever advocated the benefits of travelling light probably did not take Singapore Airline's latest offer into account. The air carrier and its regional subsidiary Silkair have announced a 10kg increase in check-in baggage allowance across all sections – suite, first class, business class and economy. Going by this, an economy class passenger will be allowed to take 30kg while those travelling by business class and first class will be permitted as much as 40kg and 50kg respectively. However, if you are an elite gold member of the airline's frequent flier programme – KrisFlyer – or a gold status member of the Star Alliance programme, you will get an additional 20kg absolutely free. Nothing (or, very little) gets left behind!

APP CORNER

Around Me

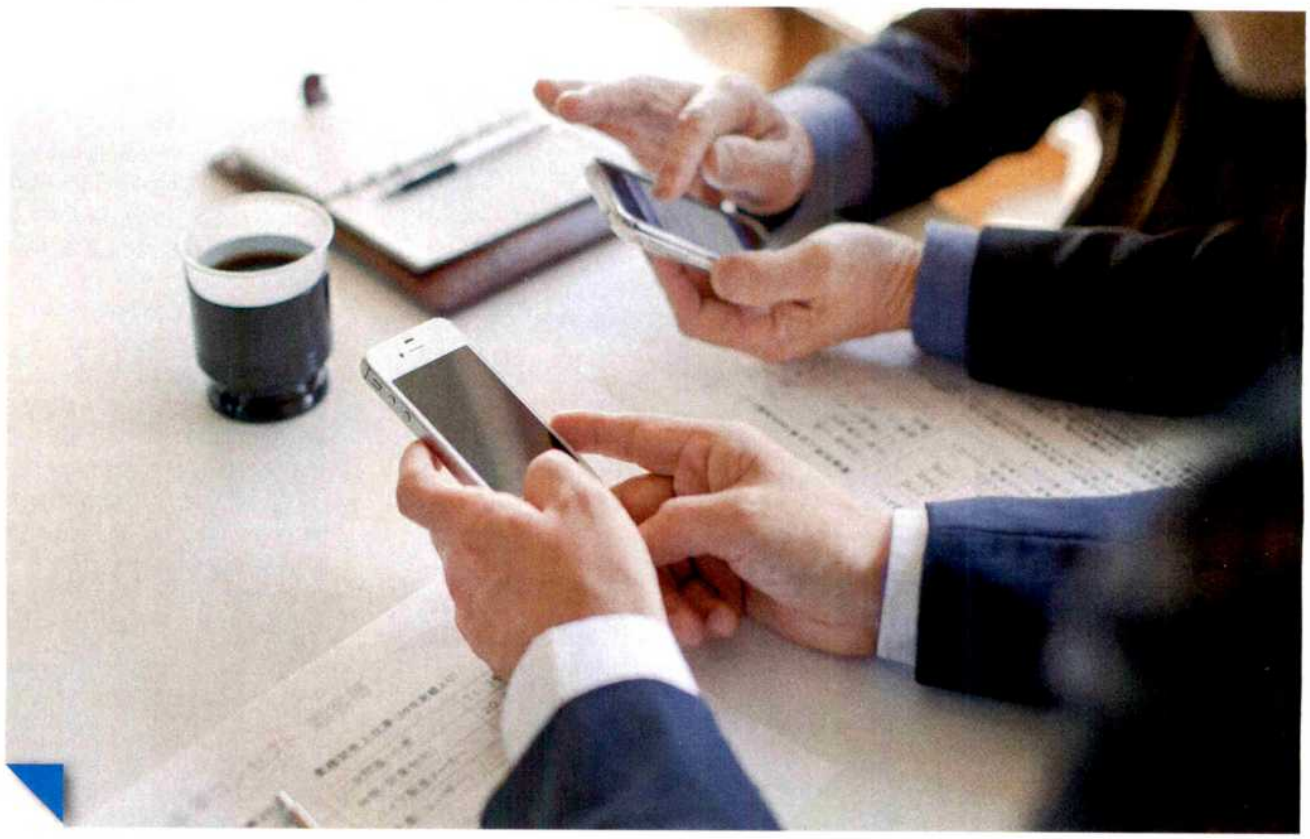
Android, iOS
By Attorno A Me

A useful app for finding out what is around you and where you want to go next. Around Me determines your location and shows you facilities in the neighbourhood in accordance with various categories (such as ATMs, coffee shops and hotels). This is one app that will come in handy at home and abroad. **The app is free.**

mind&body

Don't Cell your Soul. Yet

Radiation is harmful, but would you chuck your handy little handset for something like that? Some tips for ensuring optimum use of your cellphone with minimal risk to health.



Your mobile phone emits less radiation while sending SMS messages, so feel free to text more ▲

Use an earpiece

Part of the radio waves emitted by a mobile handset is absorbed by your body, so it's advisable to put as much distance possible between you and the instrument. In a situation where your phone can't be used in speaker mode, opt for the earpiece alternative — be it wired or wireless.

Text more, talk less

Mobile phones emit far less radiation while sending texts than communicating directly with the other person. And what's more, texting does not require you to hold it close to your brain — where it's likely to do the most damage.

Check the signal

Stuck in a haunted house with fifteen ghosties blocking your path to the nearest doorway? If not, it's probably best to avoid calling anybody in a low-signal situation. Fewer bars mean that the phone must try harder to broadcast its signal, and scientists have conclusively proved that radiation exposure increases dramatically when the cellphone signal is weak.

Hold your phone away

Try to hold your phone away from your body even when you are in the middle of an intense conversation. Why? The smallest distance can effect a major difference in the amount of radiation absorbed by your head and body. Also, refrain from putting the phone in your pocket or clipping it to your belt — believe us, your body can do without the extra radiation.

No tooth fairy

Do not keep your phone in your pocket, or under the pillow while sleeping. Cellphones send out intermittent signals to nearby cell phone towers even when they are not actually in use, exposing you to a lot of otherwise-avoidable radiation.

Dog Days Ahead

Summer's here, and your skin may soon turn an ugly shade of lobster red. Some tips to prevent a sunburn.

Noon break

If you have a choice, stay indoors between 10 am and 2 pm. It is during this four-hour window period that the sun's rays are at their most intense. Outdoor activities during this period could lead to a bad sunburn in just 30 minutes.

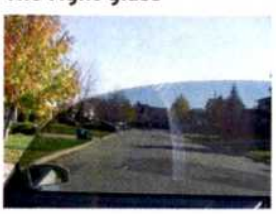
Cloth protection

Wear clothing that shields you from sunrays. While long-sleeve shirts may not seem very comfortable in the sweaty outdoors, your skin will thank you for the extra protection. Clothes help a lot in preventing sunburn.

Screen yourself

If you are going to be outdoors for long periods, spare a thought for broad-spectrum sunscreen lotions that protect you from both UVA and UVB rays. Lotions with titanium dioxide or zinc oxide are a good choice.

The right glass



If you thought tinted car windows will help prevent sunburn, think again. Glass – tinted or not – is not effective in blocking UVA rays, at least unless it is specially treated for the purpose. The same goes for sunglasses.

Clouds don't help

Cloudy skies doesn't mean you are safe from sunburn – not by a long shot! While clouds do block some of the sun's rays, the most dangerous ones manage to get through. So, keep that sunscreen handy!

Go cowboy

Wear a wide-brimmed hat on extremely sunny days, even if it makes you look like a John Wayne wannabe. Trendier baseball caps may help protect your face, but they leave the back of your neck and the ears exposed.

Nike+Sportwatch GPS

HOW DO YOU KEEP TRACK OF YOUR LOCATION, CALORIE count, heart rate and number of laps during a long run? Simple — get the new Nike+Sportwatch GPS! A device that acts like your very own running coach through unique features like automatic run-reminders, it has a backlit LCD display that provides updates on everything from calories burnt, time elapsed, average pace and distance to stopwatch and activity history. What's more, it is sweat-resistant, and comes in neon, blue and black.

Price: ₹15,000

From Men's Health

POWER COMBOS

Combine these easy-to-get snacks for an instant mind and body boost – whether at home or halfway to Timbuktoo

Apple and Cottage Cheese

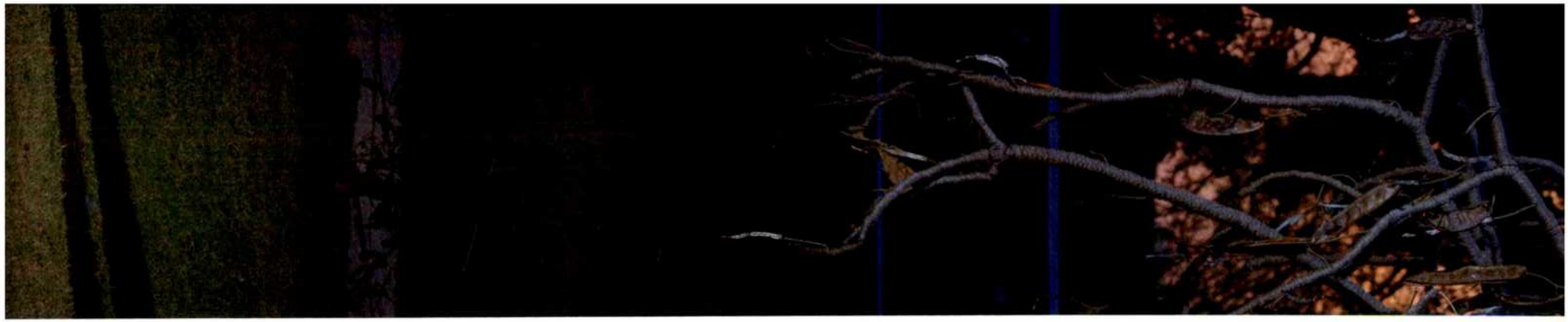
INSTANT GENIUS
Cheese is rich in brain-boosting amino acids. The boron in apple powers this brain surge.

Banana and Cereal Bar

HIGH ALERT
Magnesium in the banana helps your brain run smoothly, while vitamin B6 in the bar metabolises it.

Hummus and Oat Cookies

MORE ENERGY
Oat cookies provide energy while hummus adds protein and essential fats to sustain it for longer.



DESIGN EXTRAORDINAIRE!

Four of the country's top menswear designers give us their versions of how you should be dressing up for the colourful summer ahead. Stock your closet!

VISUALISATION SACHIN RUHIL COORDINATION SAURAV BHANOT

RAJESH PRATAP SINGH

Wool Felt Jacket with Perforation
₹22,250
Cotton Dip Dyed Scarf
₹2,200
Shirt
₹7,950
Jodhpur Pants
₹9,950,
Leather Boots
₹8,950

Photograph by: ADITYA KAPOOR/www.indiatodayimages.com

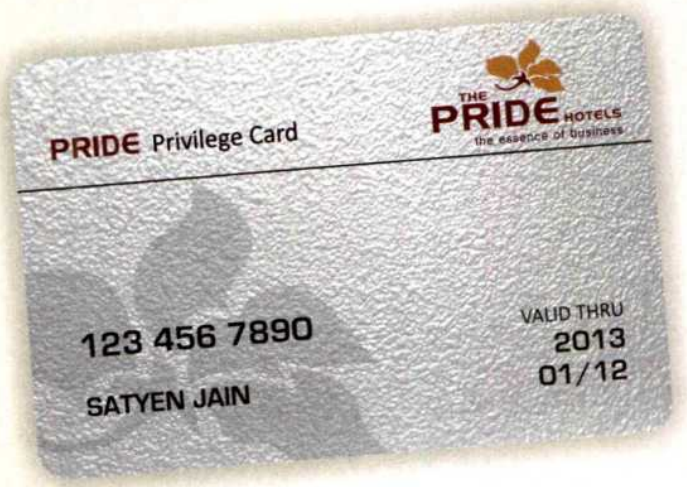
otograph by: VIVAN MEHRA/www.indiatodayimages.com

SHANTANU-NIKHIL

Jodhpur Jacket
₹58,000
Trousers
₹10,000
Shirt
₹8,000
Tie
₹2,500
Shoes
₹22,000

THE PRIDE HOTELS
the essence of business

Pride and Privilege go hand in hand



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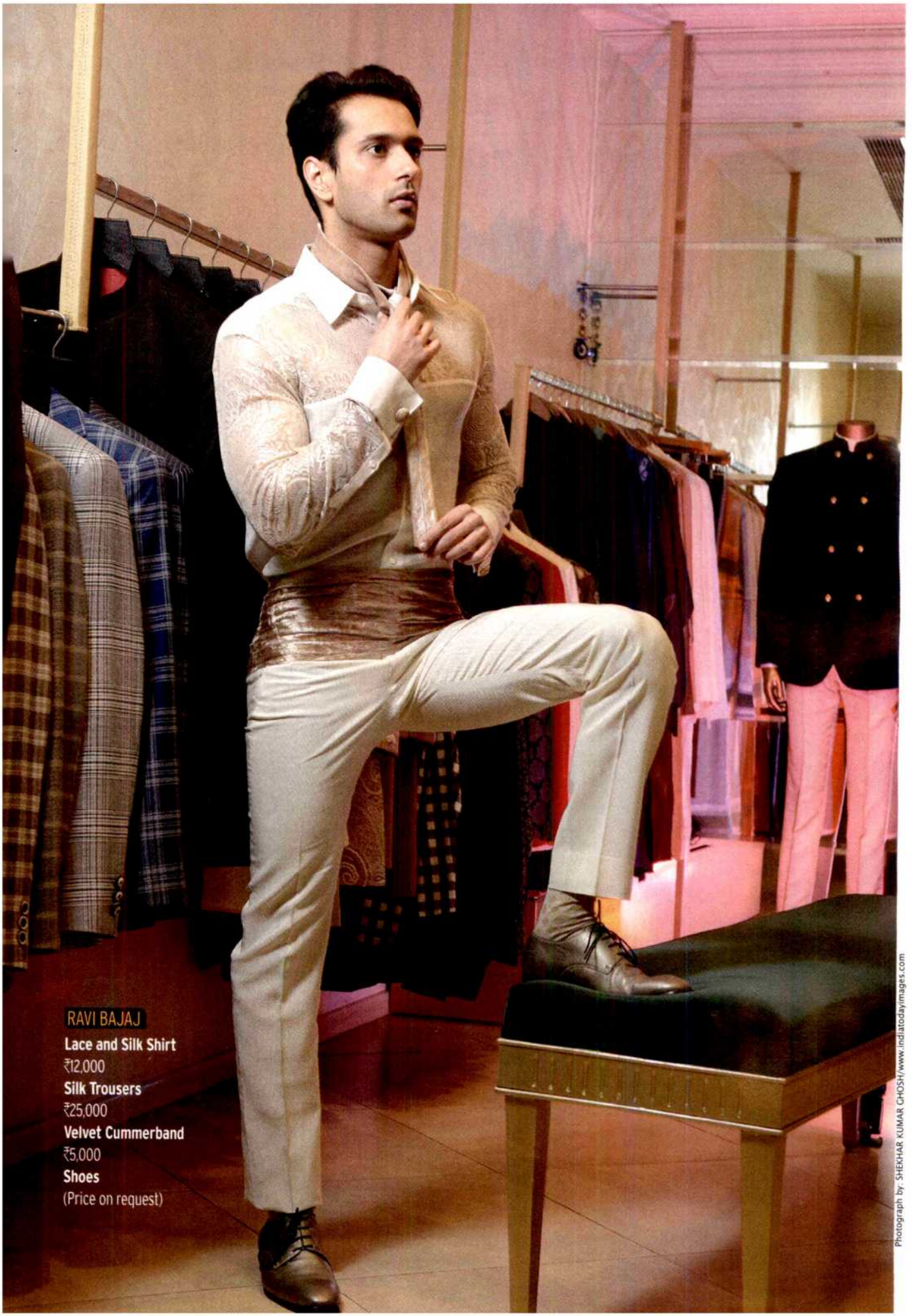
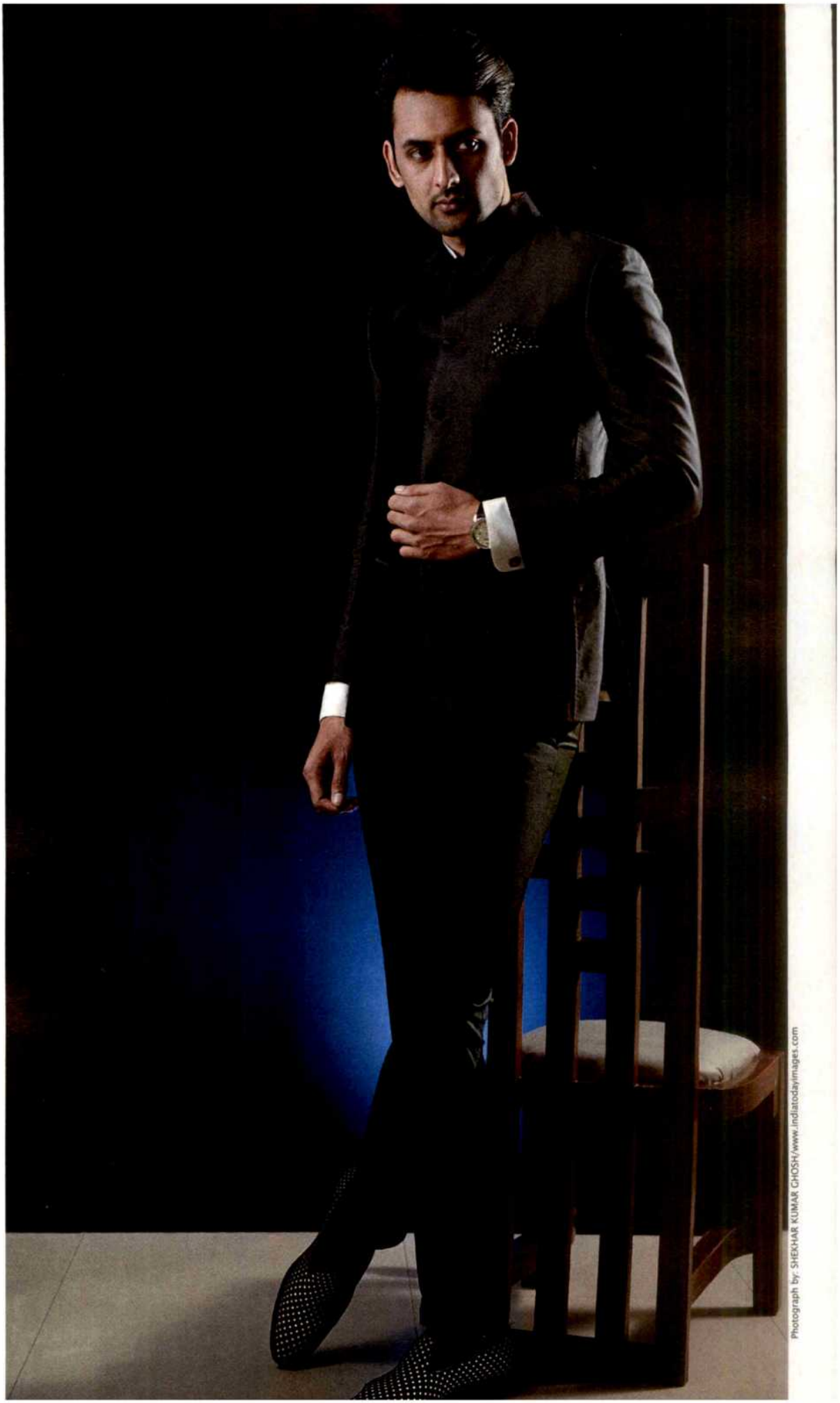


RAVI BAJAJ

Lace and Silk Shirt
₹12,000
Silk Trousers
₹25,000
Velvet Cummerband
₹5,000
Shoes
(Price on request)

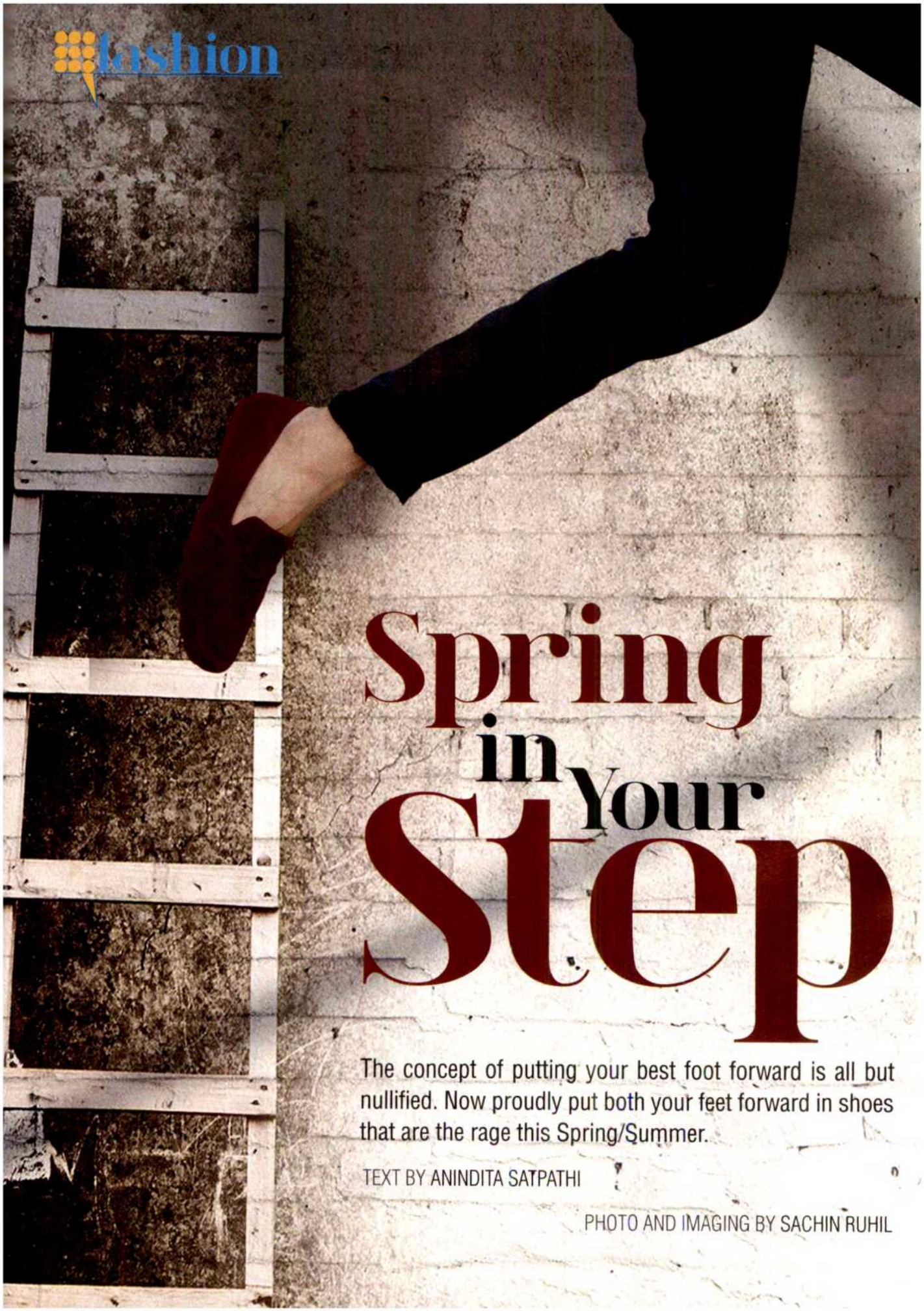
Photograph by: SHEKHAR KUMAR GHOSH/www.indiatodayimages.com



ASHISH N. SONI

Silk Steel Grey Bandhgala Jacket
₹30,000
Wool Flat Front Trousers
₹11,500

Photograph by: SHEKHAR KUMAR GHOSH/www.indiatodayimages.com



Spring in Your Step

The concept of putting your best foot forward is all but nullified. Now proudly put both your feet forward in shoes that are the rage this Spring/Summer.

TEXT BY ANINDITA SATPATHI

PHOTO AND IMAGING BY SACHIN RUHIL

STEP OUT OF THE CLOSET. THE ONE WHERE YOU keep your burgeoning collection of shoes.

Believe it – one can have a gnawing and insatiable shoe fetish that tantalisingly plagues his every waking hour, urging him to give in to the craving for the latest footwear designs, and still be manly. Show us a man who dismisses the saying, *You can tell a lot about a man from his shoes*, and we will show you somebody who can't distinguish between loafers and moccasins. You can't, either? Fret not, there's still time to learn and re-vamp the style quotient for your feet.

There's a lot more going for footwear than what you first thought. Take bespoke shoes, for instance, which can replicate the feeling of walking barefoot on clouds – your feet melting into the lining of plush leather painstakingly hand-stitched over weeks. From deck shoes to hunting boots and town shoes, the discerning man can spot a good pair from afar and know exactly which pieces of clothing in his wardrobe will flatter the handsome twosome.

Women, or at least a vast majority who have walked out on dates simply because their shoes were scruffy or mismatched with their clothes, will vociferously vouch for this. Being so bold as to assume that you do not want to fall prey to this morbid scenario, we lead you through the footwear trends for this Spring/Summer.

Leather oxfords (Artioli)

Ditch the socks

Nothing spells confidence like going sockless. It is unabashedly cool and ruthlessly attractive. Beat the summer heat with deck shoes, trainers and derbys that show off those ankles. Roll up your trousers a wee bit and pair off with a formal shirt folded till the elbows. For those who like to tread on the wild side, don a well-fitted suit with a snazzy pair of oxfords, leave out the socks, and be the intrepid trendsetter at work. Beauty lies in the details and this designer piece of blue, perforated perfection from Artioli is best pulled off with a pair of chic high-rise pants.

Lace up

Here's your excuse to grab some stylish brogues, and we mean the whole lot – oxfords, derbys and balmorals. While they have always been powerful contenders on the style scale, they are back with a bang in hand-crafted, playful avatars this summer. Soles lined with nappa leather ending in sleek wing-tips enhance the sleekness of the closed lace construction. There is no disputing the fact that leather oxfords rock, but suede ones make for a gorgeous accompaniment to Friday dressing. Slip into Corneliani's stunning yet laidback soft leather oxfords that essay oomph.

Soft leather oxfords (Corneliani)

Loafers (Corneliani)

Calf leather moccasins Moreschi)

Slip on

Following the trail of socklessness, casual shoes are the rage this season. Read loafers, driving moccasins, espadrilles in vivid shades of olive green, cobalt blue, orange and earthy tones. The stunning pair from Corneliani in a warm shade of fallow, embellished with classy detailing should give you one pair of happy feet. Moreschi deals in luxury and, for spring, they have created moccasins in calf leather and ostrich leather with visible stitching details. Featuring a lining and insole made entirely of leather, these shoes are perfect for a sunny day.

Monk straps

Monk straps are the surprise entry this season. Hold your breath, gentlemen, for they may well be the biggest and snazziest. You cannot get any more stylish than two straps and light buckles that wrap seductively over the instep. These manage to be rakishly charming and sleekly gentlemanly, especially in muted browns and greens. With just the right degree of suave formalness, monk straps are not fussy about maintenance. You can wear them for days without polishing the buckles, giving the shoes that naturally worn look. Meant to be effortlessly paired with sharp suits, these are also a cheeky match for rolled-up jeans, says Prem Diwan, Retail Head of OSL Luxury Collections.

William II (John Lobb)

Dual tone

Before you decide this one's not for you because it's just too over-the-top, feast your eyes on this epitome of comfort and style from Marni. These Italy-crafted polished leather derby shoes in a stunning neutral palette are classic as well as quirky. If shoes speak for the man, these two-tones would probably have the nicest things to say about you in a deep gravelly voice. The basic white-and-brown combination works best for an evening out, but save the burnished green and dark blues for occasions that require some snazzy power dressing. Flamboyantly known as spectator or correspondent shoes in the 1930s and limited to golf courses and tennis courts, two-tones have decisively and smoothly topped the style scale.

Polished leather derbys (Marni)

'The Men's Timepiece'

There is only one round brilliant cut 88 carat black diamond in the world, the Korloff Noir. The legend of the stone is based in the saga of one family from the cultural capital of Russia. The Korloff Sapojnikoff family, amidst the tumultuous Russian Revolution, leave all behind with the exception of the Korloff Noir--a talisman held by the family for generations. Through tragedy the family prevails speaking to the mystique and the stone's legend. Inspired by the saga of the family and the mystic stone's story founder Daniel Paillasseur names the maison after the legend. Korloff Joaillier promoted by Daniel Paillasseur is a luxury group consists of Jewellery, Timepieces, Writing instruments and Accessories.

Present in 60 countries across the world Korloff today in India partnering with TBZ Limited for the Luxury timepieces, Writing instruments and Accessories.

Korloff PARIS timepieces are Swiss Made utilizing the highest standards in components, production and assembly. True to the creative mission each timepiece is designed with a strong identity that fuses the present with the past.
Korloff Skeleton edition is a limited edition mechanical engraved 18K pink gold timepiece with see through case back.
Special decorated silvered galavanised dial, sub second hand at 6 'o' clock and Sapphire crystal glass,and black genuine alligator strap, this Swiss made time piece is an epitome of fine craftsmanship.

Grand Goan Summer Experience

An ideal leisure destination, all guest rooms and suites allow our guests to unwind and relax in the comfort of a large bed of their luxuriously designed room. The Bay View rooms are aptly designed and offer spectacular views of the sunset over the Bay. Grand Club™, Hyatt's "hotel within a hotel", offers an extra touch of luxury and special privileges such as complimentary continental breakfast, evening cocktails and canapés in the Grand Club™ Lounge.

Grand Hyatt Goa houses seven award winning food and beverage outlets and various options to satiate the gastronomic desires of all our guest. The region's largest and international award-winning 'Shamana Spa' offers a range of South-East Asian treatments with a contemporary approach. Shamana has 19 treatment rooms, which include an Ayurveda suite, six couples' suites with plunge pool and spacious single suites. The spa also encompasses a beauty salon, gym, Goa's only 25-metre indoor lap pool, a large free-form outdoor pool, whirlpool and wet areas with sauna and steam. While you enjoy at Shamana spa your children can explore their creative side learning pottery, arts and crafts or make new friends while learning to fly a kite at Camp Hyatt ®. All you need to do is say 'YES' to a grand holiday and leave the rest to us.

Visit us at goa.grand.hyatt.com

Ramp to Reality

Presenting five of the hottest trends to emerge from the ramps of the Summer '14 Paris and Milan Fashion Weeks. Are you taking notes?

TEXT BY SAURAV BHANOT

Bloom Away

It's official, this is the season to blossom! With everything from shirts and trousers to jackets turning floral, you could take inspiration from this Gucci look and go print from head to toe for a more enhanced effect!

Wear it Long

These threads will take you from summer to autumn and formal to casual. If the fashion police is to be believed, it's time you invested in a long summer coat. This one from Ermenegildo Zegna is a good idea!

All Shades Pink

Yes, you got that right. Move over, women, even your male counterparts can now stake claim to pink this summer. Not only is this colour oh-so-sunny, it also livens up your otherwise dull day in an instant. Take it one outfit at a time or go full-on like this Paul Smith look. The choice is completely yours!

The Dove Look

As nothing spells summer better than soft and bright colours, it comes as no surprise that white has found favour with every designer worth his salt this season. An all-white look is classy, cheerful and fashionable at the same time. Doing this Dolce and Gabbana look wouldn't be a bad idea at all!

Camouflage Yourself

This one is rugged, strong and very man-tastic! Though camouflage prints were all the rage last season, the fashion gods foretell that they'll continue to rule the roost. Just make sure you get the colour right, and you're good to go. This Valentino jacket, for instance, gets it perfect – and how!

LONGINES

THE LONGINES COLUMN-WHEEL SINGLE PUSH-PIECE CHRONOGRAPH HERITAGE AND TRADITION

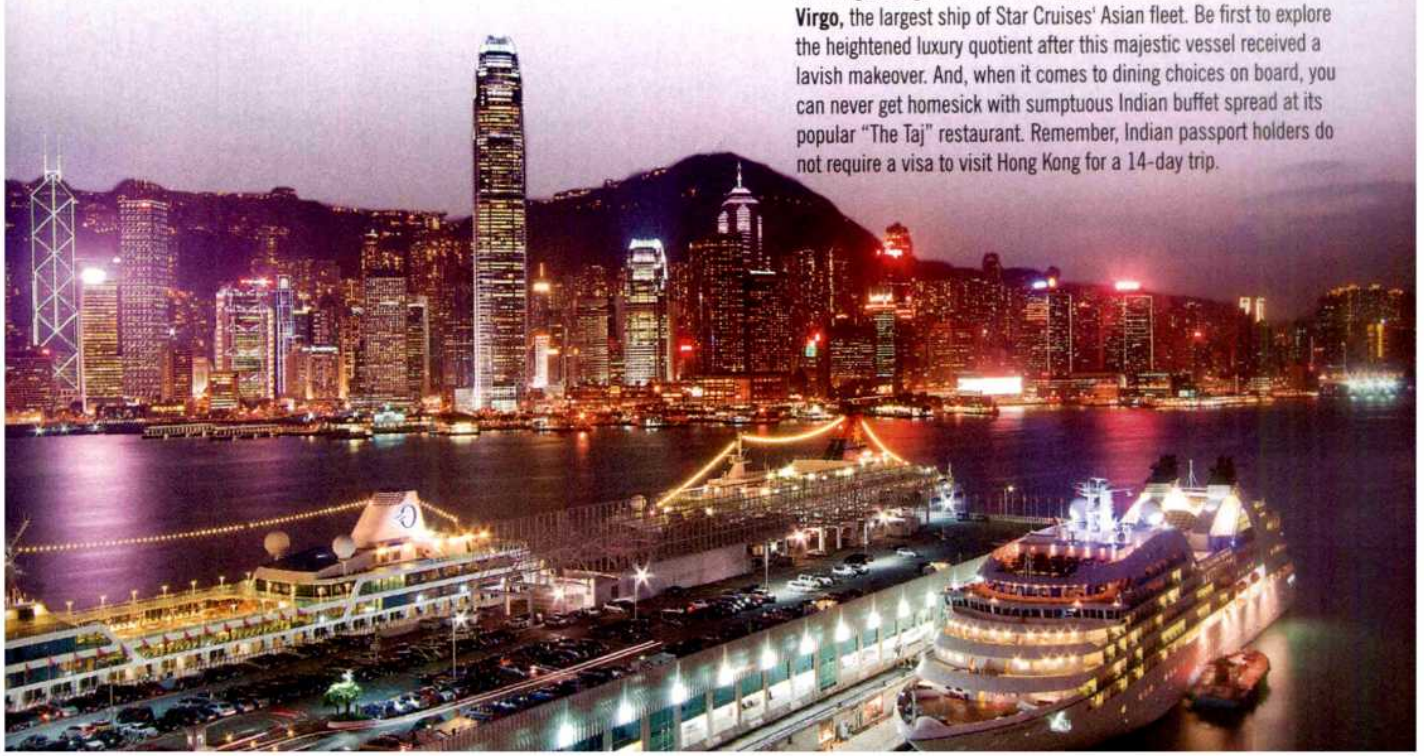
As part of the Longines Heritage Collection, The Longines Column-Wheel Single Push-Piece Chronograph models take their inspiration from the rich history of the brand with the winged hourglass logo. Fitted with an exclusive Longines movement, they recall the very first chronograph wristwatches created by the brand. These models are found in three different versions, in steel or in rose gold. Their white dials are adorned with black numerals and a red twelve that matches harmoniously with the blued hands. The fluted crown, in which the push-piece is inserted, completes the traditional aesthetic design of these timepieces.

The Longines Column-Wheel Single Push-Piece Chronograph comes in three versions, all with a 40 mm diameter. In each version, the single push-piece inserted into the fluted crown produces a striking aesthetic impact that strongly recalls the original timepieces that inspired them. Their white dials are adorned with painted black numerals and a red "12", in a direct reference to the dials of the period. They are completed by two counters, at 3 and 9 o'clock, together with a date aperture at 6 o'clock. Blued hands harmoniously complete the whole.

HONG KONG

ASIA'S CRUISE HUB

This summer, discover the excitement of a fly-cruise holiday in Asia's World City. Whether you are planning a family or romantic getaway, Hong Kong has the magic to make memories for life. Just a short flight away from India, it offers a vibrant and cosmopolitan lifestyle, featuring a unique blend of East and West. Experience the new world-class cruise terminal at former Kai Tak Runway in the backdrop of celebrated Victoria Harbour. While the stunning setting of Ocean Terminal plays homeport to **SuperStar Virgo,** the largest ship of Star Cruises' Asian fleet. Be first to explore the heightened luxury quotient after this majestic vessel received a lavish makeover. And, when it comes to dining choices on board, you can never get homesick with sumptuous Indian buffet spread at its popular "The Taj" restaurant. Remember, Indian passport holders do not require a visa to visit Hong Kong for a 14-day trip.



Last Resort

Summer's here, and it's time to plan a beach trip. You pick the resort, we pick the best in resort wear!

TEXT BY SAURAV BHANOT

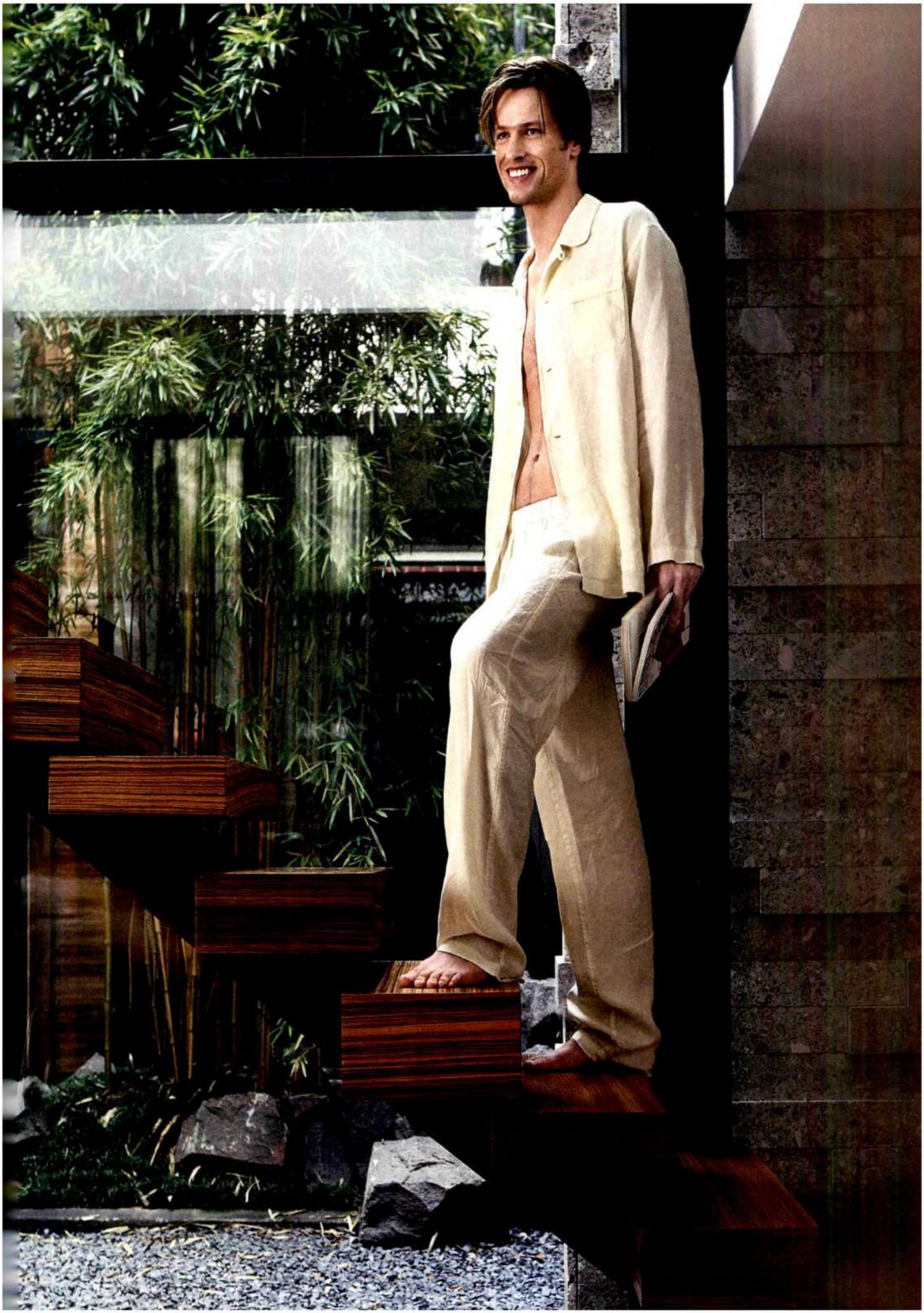
THERE ARE MANY THINGS YOU'LL NEED TO KEEP in mind when planning your summer vacation. Let fashion be one of them! Gone are the days when you could just throw any loose-fitting outfit into your trolley bag and hop, skip and jump your way to the beach. Sure, it's still about having a relaxed look, but whoever told you that relaxed equals unfashionable never had your best intentions in mind. The fashion pundits have trumpeted their judgment – resort wear is the way to be!

GET THE BASICS RIGHT

International brands such as Dolce & Gabbana, Gucci and Prada may have been endorsing it for years now, but resort wear is a fairly new category in India, more so for men. Though we had some designers bringing out resort wear collections in the past, most of them were primarily targeted at women. But times are changing, and today, there are many more options for men. The problem, however, is that not many men are well-informed on resort wear, and quite a few tend to confuse it with casual or summer wear. "Resort wear is a collection of light casuals and part wear that is best worn for holidays near a beach resort," says ace designer Wendell Rodricks. We couldn't agree more!

But, what exactly constitutes resort wear? Everything from casual clothes to light evening wear and swimwear. "Everything a man packs, from bermudas, light jeans, linen shirts to beach pyjamas, evening silk shirts and speedos, everything falls under the spectrum," elaborates Wendell.

So, how different is resort wear from summer casuals? All your pastels, whites and light hues – along with breezy prints, linen pieces, cotton wear, summer jackets and chinos – fall under resort wear, and everything else can be kept out. "Resort wear cannot be classified as casual wear. It has more luxurious fabrics and styles such as knee-length shorts and linen pants. Even the shirts are lighter and better constructed. Casual wear is more about denims and



t-shirts!" says designer Michelle Salins.

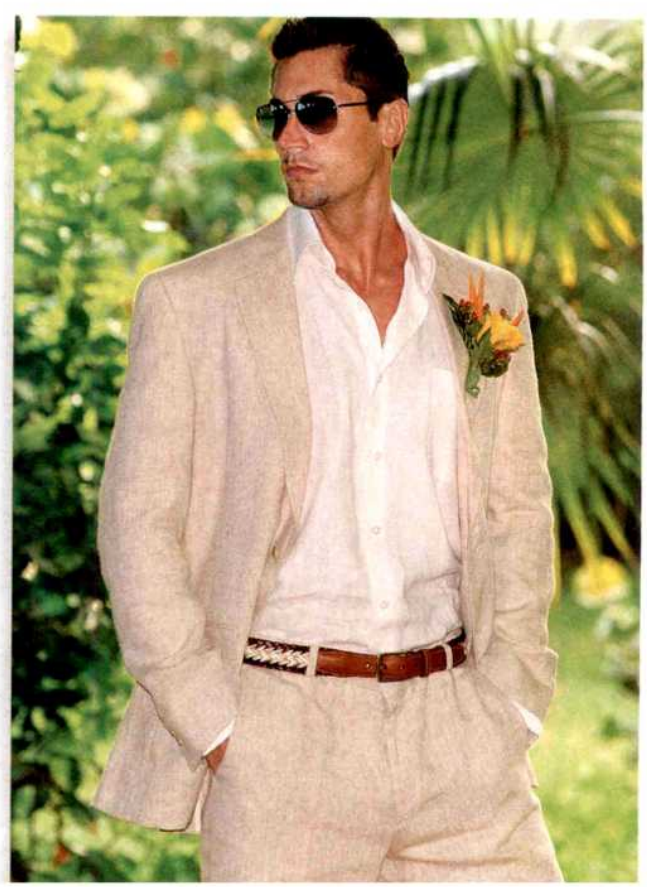
This style of clothing, however, has not seen much experimentation. It is still, as designer Pria Kataria Puri puts it, in a 'safe zone'. "At present, resort wear is only limited to printed shirts and plain shorts for men. Though it is a huge market for women, menswear is still in its nascent stage. But then, there is a huge opening coming up!"

With men earning by the bundle and – consequently – holidaying more often, their fashion needs have also witnessed an upward climb. And thanks to resort celebrations booming in the country, a suitable wardrobe has become a near-necessity. The good news is that not all is lost, and resort wear has evolved – even if a little bit. It is not about Hawaiian shirts and shorts anymore, and even the designs have become more eclectic. Plus, designers are taking a lot more interest in this style!

The main essence of resort wear lies in how you wear it. It is perfectly possible that your look would go out of balance if not styled well. Since everything about the beach epitomises comfort and relaxation, it is essential to keep the look just that. Clothes that are excessively tight fitting or too formal should be kept out. The fabric must be restricted to cotton and linen as much as possible and the colours should not be too dark with generous doses of whites and neons. Keeping the look fuss-free and laid-back is a huge part of getting the resort look right!

Invest in linen shirts apart from the cotton ones. Linen, as a

When hitting the beach, surfer shorts are your most stylish bet ◀
There is nothing better than a classic linen suit ▼



Floral prints and colours ranging from white to all-things-bright work very well for both shirts and shorts ▲

fabric, is extremely weather-friendly and fashionable at the same time. Avoid jeans as much as possible during the day and opt for chinos instead. Jeans work best in evenings when paired with a smart summer jacket, making a good semi-formal look. "Hippie pants are a great option," says Pria Kataria, adding, "You can team them up with a t-shirt, linen shirt, cool jacket or even go bare-bodied." When it comes to shorts, cotton ones are good for lounging around and the surfer kind goes well on the beach. When lazing by the pool side, swimming trunks and bermudas are your best bet.

Accessorising your look is also something you need to invest some attention in! Whether you are lazing on the beach, lounging at a restaurant or taking a stroll, there is always scope for something extra. "Funky hats are a great addition to your closet. They come in different styles and go from day to night," says Wendell. Go for hats in basic colours of tan brown, mauve and black — which gel well with most outfits. Another must-have accessory is a smart pair of sunglasses. Remember, wayfarers are common while aviators are back in style! For more accessorising, some funky silver jewellery is a good bet. Just don't overdo it and keep the jewellery as basic as you can. You could even flaunt funky belts, wallets and a beach bag. The bag should be bright looking and not leather to avoid confusion with a formal one.

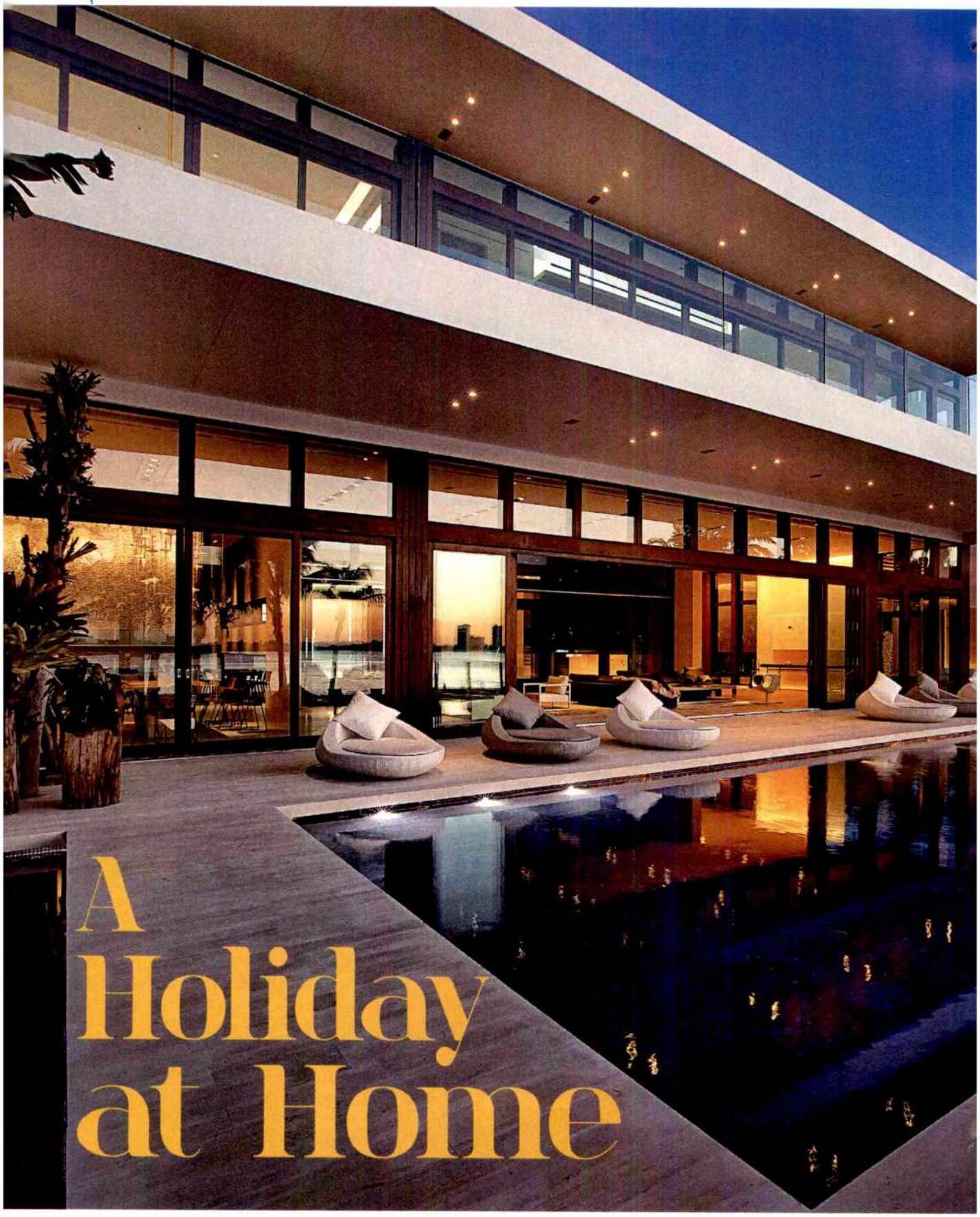
For footwear, everything from trendy chappals and loafers to moccasins and leather sandals works. But wearing socks with open footwear is a fashion faux pas.

TRENDS TO WATCH OUT FOR

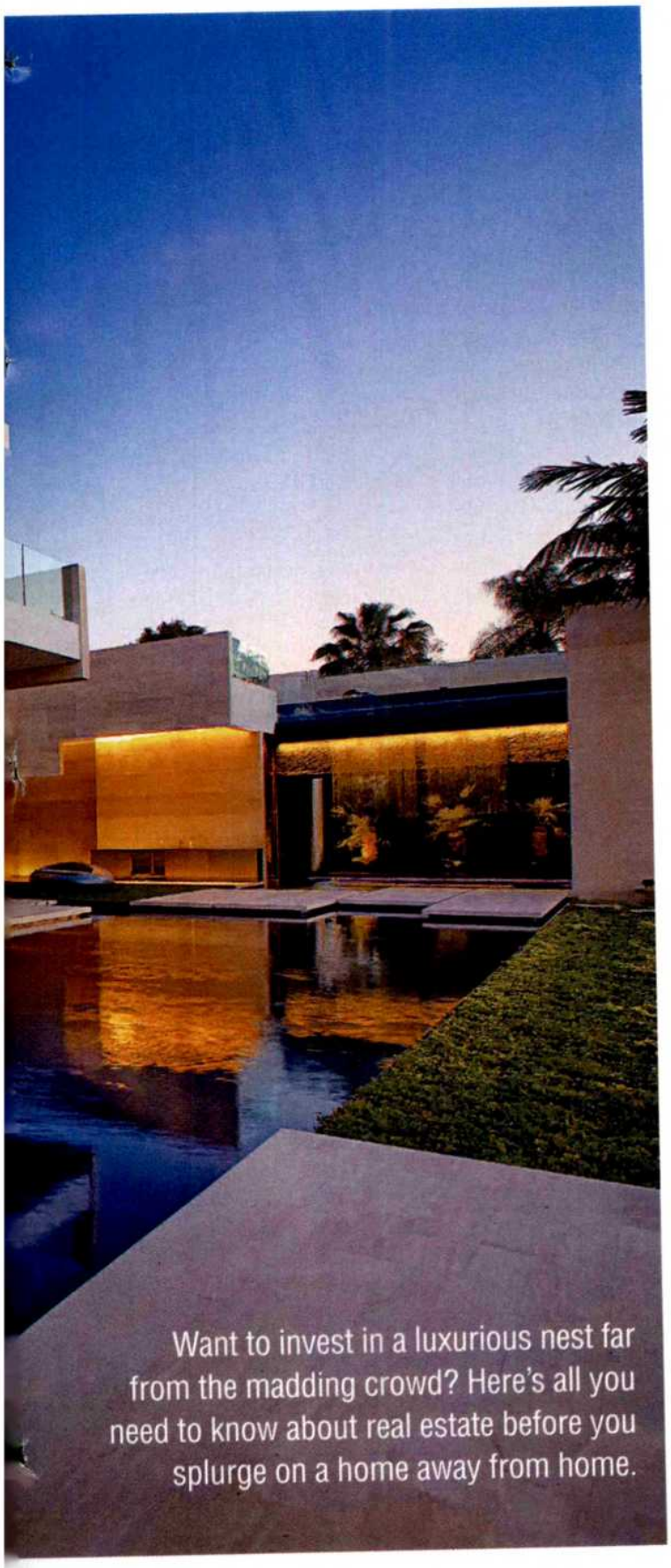
While packing for a resort vacation, make sure you take note of what's trending right now. As colour blocking is a major part of styling any resort look, stock up on bold colours to team up with light pastel shades. Floral prints are big even for summer casuals this season, so it's all the more reason for you to have them in your resort wardrobe. Other spring prints can also make for an interesting look! "Nautical prints, like every year, remain but only get more tailored. Art deco prints are quite the sensation this season as well," adds Michelle. The nautical look, which takes inspiration from the sailor's wardrobe, has been a big part of resort wear, but cruise-inspired looks are also finding space this year. The difference in the two is about adding a more semi-formal touch with fitted jackets for evening wear. It is important to note that resort wear is as much about beach wear as it is about dressing up for a dinner setting.

Bright colours for footwear and other accessories will add a funky touch to your look, and a cool pair of sunglasses, a smart hat and a nice smile is all you need to perfect it.

So, now that you have your wardrobe sorted out, just don't forget to pack in your sunscreen!



A Holiday at Home



Want to invest in a luxurious nest far from the madding crowd? Here's all you need to know about real estate before you splurge on a home away from home.

TEXT BY ANUSHREE BASU-BHALLA

IMAGINE A GOLF COURSE IN YOUR OWN backyard where you could sink a chip shot from your patio into the gentle rolling greens, away from the hectic crowds of the city you live in. Sounds like a dream? This aspiration of having a 'home-away-from-home' exemplifies today's major residential realty trend among urban Indians looking for a lucrative investment option in the form of a haven in their favourite holiday destination, or even a place just outside the city they live in.

To tap this growing opportunity, the country's top builders have been entering into new land deals on the outskirts of metropolises like Mumbai, Bangalore and Kolkata. The total revenue generated by India's real estate industry in the fiscal year 2011-12 stood at around $314 million, contributing to five per cent of the country's GDP. Vacation homes, albeit a new trend restricted to a small number of affluent individuals, have a considerable share in the chunk.

According to Disha Direct, the pioneers in the Second Homes real estate concept in India, the country saw a rise in its second home sales by 50 per cent from 2002 to 2007, before the global recession caused a slump in the market. Santosh Naik, managing director and CEO of Disha Direct, reckons that the demand for second homes has seen a stupendous rise in recent times, even though the real estate market has been stagnant in most cities. "Every individual would like to own a second home as it is a symbol of success. For high net-worth individuals, it is a great investment option with profitable returns," he says. There are currently a number of players in the fray, offering ultra-luxurious properties with clubhouse facilities. Understanding the affluent buyer's demands, these properties are far-removed from regular assembly-line constructions. Villas and farmhouses are the preferred choice for these designer homes, and real estate companies offer fully-customised luxury homes with only five to seven options in each category.

So, before you streamline your finances to splurge on a one-of-a-kind vacation home, take a look at some key parameters and factors that need to be kept in mind.

DEMAND DRIVERS

A recent survey by ASSOCHAM concluded that a whopping 85 per cent of urban and upwardly mobile working youth prefer to invest in real estate as against gold, stocks or mutual funds. Additionally, many factors such as availability of a wide range of high quality residential formats in Tier II and Tier III cities, competitive home loans, and improved real estate transparency have fueled the rising aspirations of the urban investor. Second homes are sought primarily as a means for a getaway from the city, and hill towns are favoured destinations for vacation

FACTORING DATA

Results of a survey by Magicbricks.com on key user preferences regarding new housing projects on vacation homes. The survey was taken by 237 respondents

63%

said that they would consider investing in a Tier II city, while 33 per cent wanted to wait and watch the market

60%

were first-time investors who wanted to put their moolah in a Tier II City due to a higher chance of appreciation

37%

residential plots were the most preferred property type for investing in a Tier II city, followed by multi-storey apartments coming a close 36 per cent

32%

of the surveyed respondents belonged to the age group of 25-30 years.

45.7%

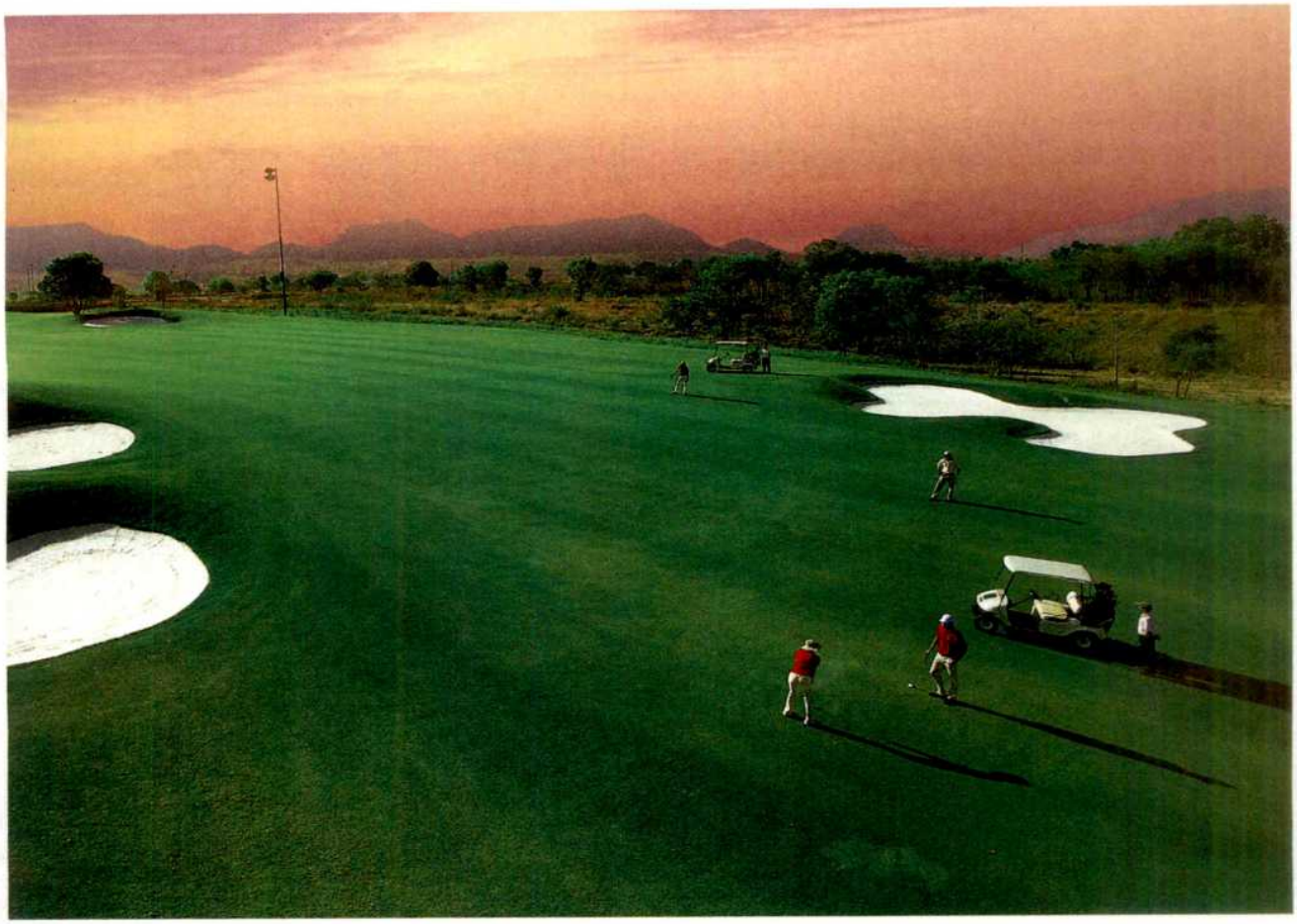
wanted to invest in Vadodara, while Mysore was a distant second with just 8.6 per cent

homes. But be mindful that in some states like Jammu & Kashmir and North-Eastern Manipur and Sikkim, one cannot purchase real estate unless he is a domicile. The restrictions are laid down to protect the socio-economic character of the states and prevent locals from being dispossessed. Hence, check in advance with a local realtor before zeroing in on a property. The demand for buying luxury residential property in hill stations like Mussourie, Nainital, Coorg, Mahabaleshwar, Khandala and Lonavala has been on rise for a couple of years now. Consequently, the growing demand has driven real estate giants like Sahara Housing and Infrastructure to develop its 10,000 acre 'hill city', called Aamby Valley Sahara Lake City. A textbook example of second homes or vacation homes, Aamby Valley offers facilities like an 18-hole golf course, concept properties with one and two bedroom timber chalets, and sumptuous two acre villas. All this in the midst of the scenic Sahyadri mountains on the Western Ghats of India. To top it all, there's even a manmade lake and a theme park with watersports and adventure activities! The gated community has caught the imagination of well-heeled high net-worth individuals, corporate honchos and NRIs.

SPOILT FOR CHOICE

According to a dipstick survey conducted by Homebay Residential, a subsidiary of

What better place to relax than a high-end cottage overlooking the deep blue sea ▼
Love the mountains? Invest in a second home in Mussourie, Nainital or Coorg, down south ▼



The lush 18-hole golf course at Aamby Valley Sahara Lake City ▲

Jones Lang LeSalle international property consultancy, there are many choice determinants that a prospective investor can look into before purchasing a vacation home. These include location in terms of a preferred holiday destination; quality of architecture and design of the property on offer; facilities like golf courses, clubhouses, concierge service, ski lifts and even private yachts; accessibility from the nearest airport or helipad; en suite maintenance and property management facilities, including round-the-clock security; local infrastructure of the destination in question; and local community. These factors not only promise a worthy investment for a dream home but also factor lucrative returns in terms of rental income.

LOCATION VOCATION

Those who invest in a vacation homes tend to go for properties located in accessible destinations with convivial surroundings. The location of choice can differ in accordance with the individual's personal preference – while some look for an urban fringe home in the form of a farmhouse for holding special gatherings and others opt for a piece of paradise in a remote beach town, there are quite a few people who even seek a reclusive lifestyle steeped in wellness and spirituality in a pilgrimage town such as Rishikesh or Mathura.

Take, for instance, the 240-acre Royal Palms Estate in the midst of Mumbai's only green belt. Surrounded by as many as 20,000 acres of the Sanjay Gandhi National Park in Borivali, it can be a great option for a second home within the city. Similarly, golfing enthusiasts could invest in a planned golf course community such as Karma Lakelands by Unitech or Tarudhan in Manesar, Delhi NCR.

BUDGET MATTERS

Since popular vacation home options are mostly spread out in smaller cities and towns, property rates are relatively cheaper in comparison with their urban counterparts. Luxury homes located closer to the cities, with frills like outdoor swimming pool and orchards or kitchen gardens, together with latest infrastructural facilities, come with a hefty price tag. For instance, prices for farmhouses in Bijwasan and Mehrauli in New Delhi begin at ₹2.5 crore and go beyond ₹12 crore. In Alibaug, close to Mumbai, row houses sell for anywhere between ₹70 lakh and ₹2 crore, bungalows go for ₹2.5 crore to ₹7 crore and plots range from ₹2 lakh to ₹2 crore. Upcoming hill stations like Kasauli offer bungalows that go for ₹30 lakh to ₹5 crore. These prices depend on the destination, location, size of the units, amenities provided, and developer's reputation.

Eat. Drink. Repeat

Exotic drinks, good food and cosy interiors, Monkey Bar has it all. BY SAURAV BHANOT

WHILE A PUB OR A BAR IS TRADITIONALLY about drinks, it doesn't hurt to have a place that serves mouth-watering delicacies as well. I entered Monkey Bar with part-excitement and part-reservation, looking forward to experiencing what's supposed to be the first 'gastro-pub' in India. Housed in a glass building built like a pyramid, Monkey Bar has a fairly casual setting, with brick walls, mismatched lights and wooden flooring forming the interiors. From the name of the pub to the music playing in the background, everything at the gastro-pub seems laid back — making it a great place to visit with friends for a fun evening.

The food here is continental with a good Indian spin, specifically the spiked nachos and the butterfly chicken. While the chubby mushroom is a fine option for vegetarians, seafood fans may find their calling in the tikky of joy, fish cutlets with mustard and bang bang prawns in black pepper, curry leaves and lemon.

In the main course, shrimp newburg with brown rice — cooked with wine and penang curry powder — was easily my favourite. While the mobar pork is not the best pork belly in town, it certainly leaves a lingering taste on your palette. The kosha mangsho or Bengali mutton stew is average, at best.

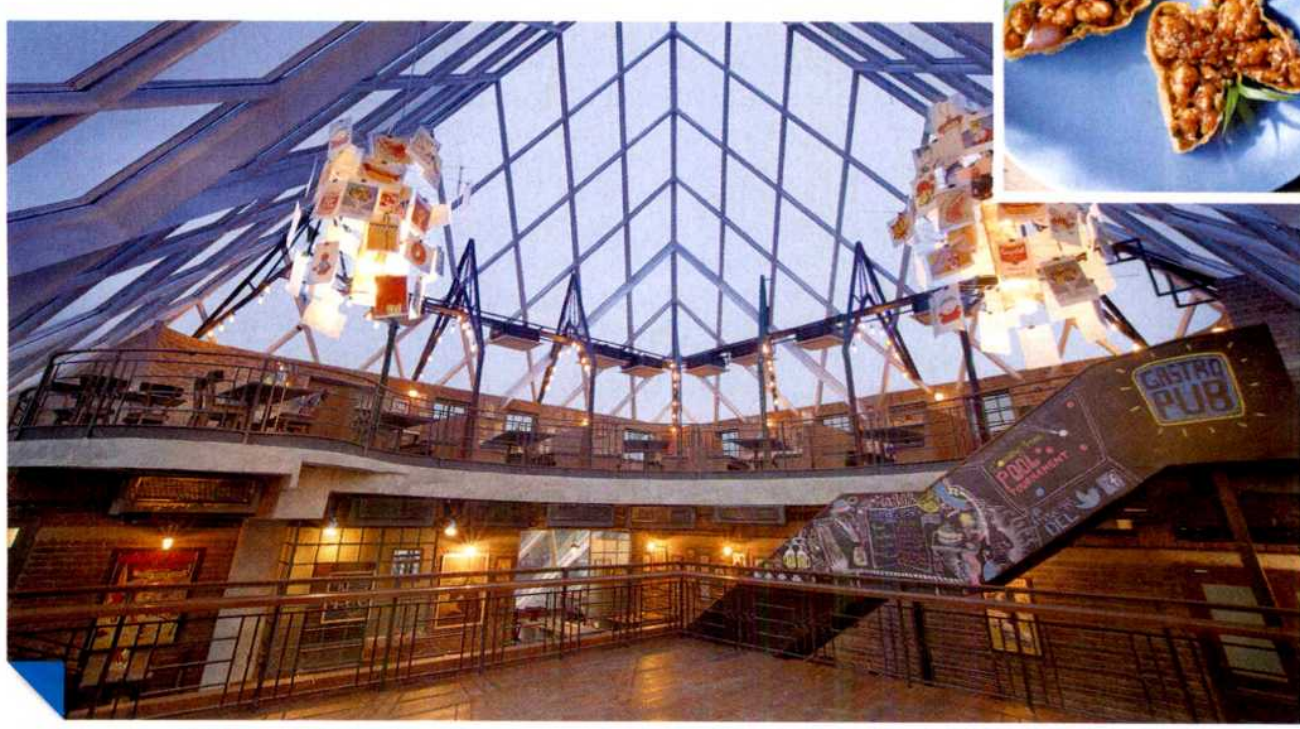
Indian naarangi
Chubby mushroom

Meal for two
(alcohol extra)
₹2,000

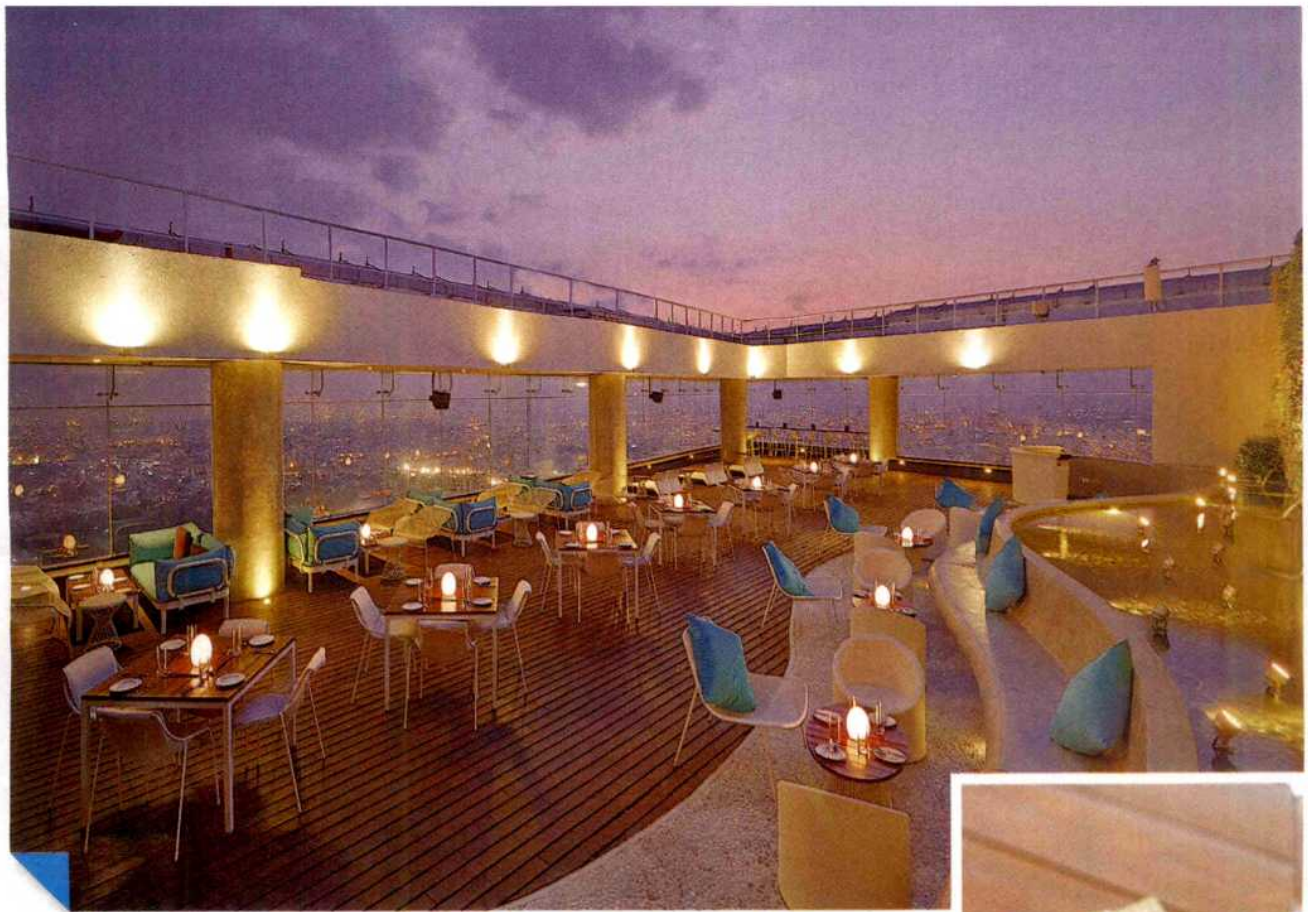
Plot 11, Upper LSC,
Pocket C 6 & 7,
Vasant Kunj,
New Delhi

011-41095155

The alcohol section contained some Monkey Bar specials worth remembering for years to come. Being a huge margarita fan, I tried out their strawberry and kokum variants and found they were both fantastic. While the vodka-based mangaa was another brilliant concoction, the mandarin mojito didn't quite live up to our expectations. But then, the whisky cocktails — the refreshingly Indian naarangi and the copper monkey — more than made up for it. Monkey Bar scores well for a gastro-pub. So, if a good time with friends over sumptuous food and pleasantly heady drinks is what you want, here's where you should be.



The interiors of Monkey Bar put you at ease almost instantly. (Inset) Quick, grab a butterfly chicken before it flutters away ▲



The High Ultra Lounge is perched on the 31st floor of the World Trade Centre, Bangalore ▲
The pork belly with spicy soya leaves you asking for more ▶

Heady at the Top

With punchy music and an aerial view of Bangalore, High Ultra Lounge makes for a great evening. BY AKHILA SEETHARAMAN

THE FIRST TRICK TO MAKING A GREAT BAR or restaurant, and most restauranteurs will confirm this, lies in getting the right space. So when real estate giants enter the restaurant-lounge-bar business, the results are stunning. With 10,000 square feet on the top of Bangalore's World Trade Centre, and every possible view of the setting sun, High Ultra Lounge by construction group Brigade's hospitality wing is blessed. It has four zones, a lounge area that is open to the sky, a funky bar space, a fine dining section and a private party room with breathtaking views, and there's still space to spare.

We chose a Saturday night to take the nonstop elevator to the 31st floor of the World Trade Centre, just as the dark sky overhead broke into a thunderous downpour. We hung out at the bar area, an upbeat space with a cool international vibe. Over a whimsical gin-based cocktail christened Constellation dotted with purple flowers, I marvelled at the view of the city lights under the sheets of rain.

However, for a place that gets almost everything right in terms of decor and infrastructure, the food itself seemed a bit uneven. The sesame cheese rolls with strawberry, felt gimmicky, sautéed mushrooms in spicy sauce played safe, and the chicken satay was good but uninspired. But the spicy jumbo prawns hit the spot, a starter with tofu squares pushed the envelope, and the sushi – we had salmon and avocado rolls – was satisfying. The claypot mushroom fried rice and stir fried greens were paired well, conveying fresh and flavourful simplicity. And all misgivings were dispelled with the spectacular banoffie pie, a must-have if there ever was one.

Viewing the city from up high, you feel the rush that accompanies the power of new Bangalore with its money, vision for the future and connections to the rest of the world. There is something of New York City's rooftop bars here, and a little of Singapore's nightclubs. Traces of other places – the intangible things that make a place truly international – also come together here, turning it into a unique setting for great things to happen. My suggestion? Don't miss it for the world!

Jumbo tiger prawn
Banoffie pie

Meal for two
(alcohol extra)
₹3,000

Rooftop, World
Trade Centre

080-45674567

top shop

Run Smart

Technogym's Artis, the world's first Google Glass-controlled treadmill, is all set to lead the next revolution in the fitness world. The treadmill allows users to control the speed via voice, view running data, and communicate with a personal trainer via webcam.

Price: On request

Sitting Beauty

Want to sit pretty at work? Sure, you can, especially if it's on the new Mirra 2 from Herman Miller. Engrained with the soul and the essential DNA of the original Mirra, this piece of art is a leaner, lighter and more responsive piece of furniture that moves as one with the sitter and supports the slightest of his movements. The perfect incentive to make your employees put in those extra hours.

Price: On request

Belting out Charm

Whether formal or casual, no look is complete without a smart belt. Wear this stylish piece from Fendi with linen trousers for brunch, fitted chinos for a date, and your favourite denims when out with friends.

Price: On request

Sight to See

With summer right around the corner, it's time to bring out the best in eyewear. And, believe it, this attractive Tom Ford pair could be your one-way ticket to fashion nirvana.

Price: On request

Give in TU-MI!

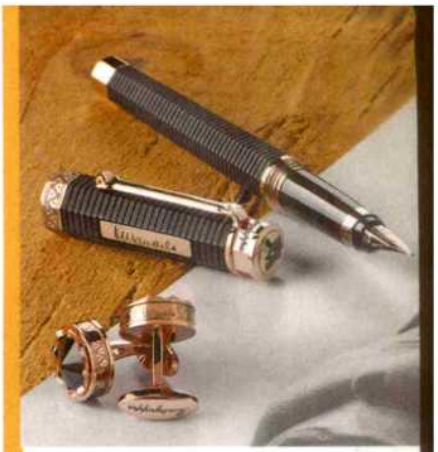
If you like stepping out of the airport in style, you would be best accompanied by a piece from the Jonathan Adler Travels with TUMI Collection. Created in collaboration with Adler — renowned American potter, designer and author — they happen to be bold in colour and patterns, and are overall the grooviest pieces of luggage you may ever come across. How's that for cool?

Price: On request

Hands Off!

A man's house is his castle, but it becomes truly royal only with the addition of this masterpiece from the house of Hands. Showcasing a timeless Persian design juxtaposed with chic contemporary patterns, the elegant hand-knotted carpet lends your interiors a sense of coziness that will make your home the nicest place to be.

Price: ₹4 lakh onwards



Write to Freedom

Montegrappa pays homage to one of the world's greatest freedom fighters through the Nelson Mandela collection of writing instruments. The NeroUno pens are adorned with a motif of triangles in rose gold-plated trim on the pen cap's band. While the top of the cap is engraved with a map of South Africa, its side has a metal plaque featuring Mandela's signature. The clip boasts of a diamond mined in South Africa.

Price: On request

Bag it Good

A bag that adds brownie points to your look at work? Look no further than this leather masterpiece from Corneliani, designed to cater to all your fashion needs. With a size that's just right and a shape that isn't too much to handle, you will have no difficulty in pulling it off. Plus, its black colour is as formal as it gets!

Price: On request

splurge

CALL OF LUXURY

AN IMPRESSIVE AMALGAMATION OF FINE MATERIALS, CRAFTSMANSHIP AND LUXURY, THE VERTU Constellation mobile phone doubles up as the perfect companion for the fashion-conscious yet technologically driven man of today. Featuring a magnificient 5.1-inch piece of 100-carat sapphire crystal that stretches over a 720p high-def screen, the phone is swathed in high-quality calf leather sourced from the European Alps. The top-drawer Qualcomm Snapdragon dual core 1.7 GHz CPU ensures that the phone — featuring the latest Android 4.2 Jellybean OS — never lags, and its 13MP rear-facing camera proves just right for capturing life's best moments. **Price: ₹4.75 lakh**

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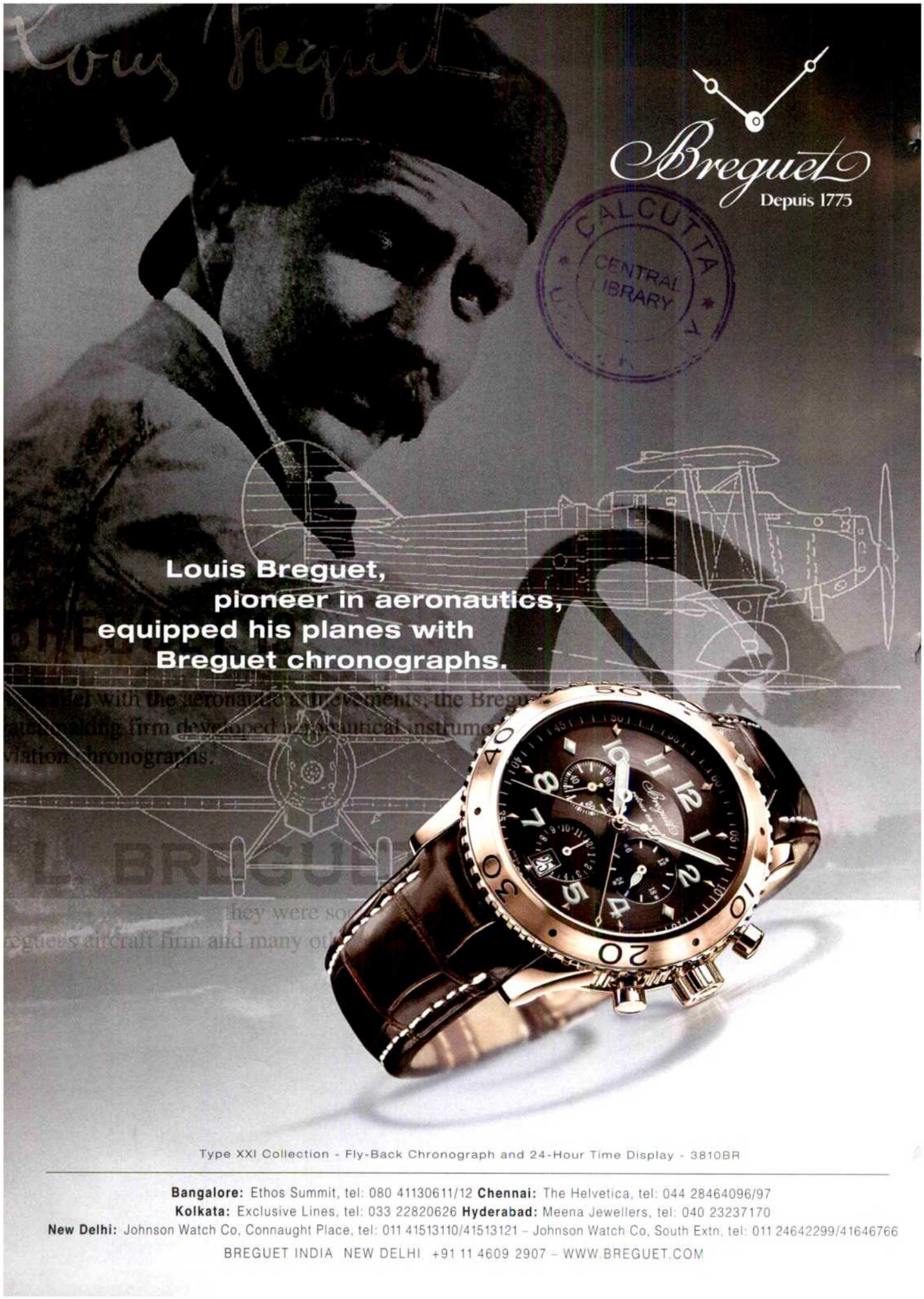

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Elections 2014

With campaigning for the forthcoming Lok Sabha elections in full swing, *Business Today* looks at how business and polls impact each other

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- Corporate Honchos in the Running
- Economic Agenda for the Next Government
- Power Trip

All this and more at businesstoday.in/pollcampaign2014

NEWS

Caution Advised
Retaining the status quo on interest rates, RBI Governor Raghuram Rajan warns against banking too heavily on a stable government being formed after the elections
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SBI Spares None
In its concerted drive to reduce non-performing assets, State Bank of India is chasing not only big defaulters but also the minnows
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Google Votes for India
Google uses a real life story from Himachal Pradesh to encourage Indians to cast their vote in the coming elections
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THE UNIVERSITY OF CHICAGO

From Chicago with Love
University of Chicago follows Harvard in setting up a centre in India
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COLUMN

Dance Floor to the Balcony

Do you focus too much on the task at hand and miss the helicopter view of what you do and what you want to be? Take a step back, advises **Santhosh Babu.**

businesstoday.in/buddhaintheboardroom

SLIDE SHOW

CEOs in Many Moods

Sabine Heller, CEO, A Small World, and **Piyush Gupta**, CEO, DBS Bank, captured by **Vivan Mehra.**

businesstoday.in/ceo-moods

DEEP DIVE

Let There Be LED Light

Ved Prakash Mahendru explains why five forward-looking municipal corporations have begun using LED streetlights.
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Insider Trading Laws: Mooting Change

Sidharrth Shankar and **Rishabh Gupta** discuss why the recent recommendations of a SEBI appointed committee on insider trading laws are welcome.
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PERSPECTIVE

The Chosen Two

Anand Adhikari discusses why the RBI awarded the first two new banking licence to IDFC and Bandhan.
businesstoday.in/newbanks-idfcbandhan

Sensex Success

Mahesh Nayak explains why the Sensex has been repeatedly hitting new highs of late.
businesstoday.in/sensexgains2014

New Gas Price Formula: RIP

With the Election Commission deferring its implementation, the new gas price formula, which would have been enforced from April 1, is all but dead, says **Anilesh Mahajan.**
businesstoday.in/gasprice-delay

GADGET REVIEWS

businesstoday.in/gadget-reviews

Samsung Galaxy 5

The much awaited new flagship mobile from Samsung has reached India.

Samsung Gear

The new Samsung range of wearable devices.

INTERVIEWS

"We will focus on strengthening our inland services in India"

Soren Skou, CEO of Danish shipping giant Maersk Line, speaks to **Manisha Singhal.**

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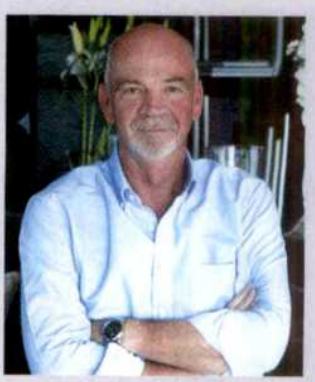


"We are not happy it took us so long to ramp up production"

Nigel Harris, President, Ford India, discusses the success of EcoSport with **N. Madhavan.**

businesstoday.in/ford-harris

BLOGS

Start up today

Taslima Khan asks Angel investor **Rehan yar Khan** on why he funds start-ups and has now moved on to becoming a venture capitalist.

businesstoday.in/startup-today

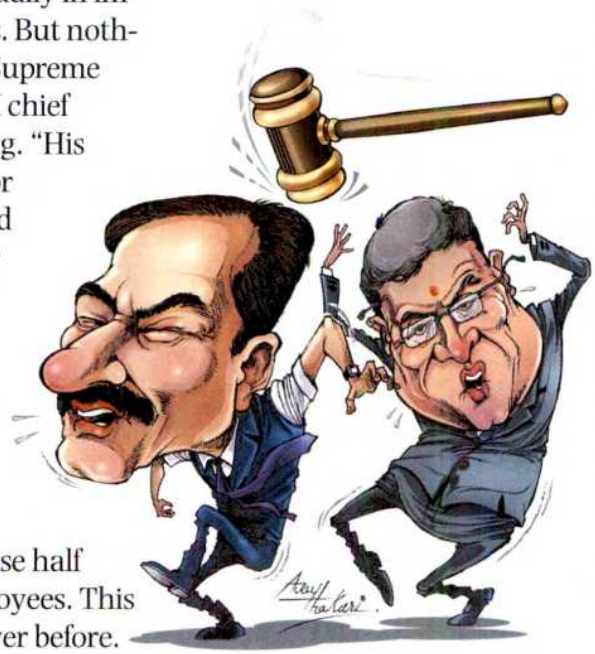
Word Mentality

Even professional writers often say "winters" for "winter", says **Uma Asher.**

businesstoday.in/uma

BUZZING

The judiciary has risen steadily in importance the last few years. But nothing like last fornight. The Supreme Court's strike against BCCI chief N. Srinivasan was damning. "His staying on is nauseating for cricket," the court said, and brought in Sunil Gavaskar to calm things down. And the amount it asked Sahara to submit for its Managing Worker Subrata Roy's bail – ₹10,000 crore – will take some beating. Last heard, the group was trying to raise half that amount from its employees. This will test the *parivar* like never before.



TAKING THE MINISTER OUT OF FINANCE

The country's finances are at the core of this election campaign, but those who have been minding them are not. Four of the five men who have been finance ministers since the onset of liberalisation in 1991 are not contesting. Manmohan Singh retires after his term as Prime Minister ends in May. P. Chidambaram has ceded his constituency Sivaganga to son Karti, and Yashwant Sinha has bequeathed Hazaribagh to son Jayant. Pranab Mukherjee is now President, and above the fray. Only Jaswant Singh is in the mix, but his party, the BJP, denied him the Barmer ticket. So he is contesting as an independent.

TAKING STOCK

Facebook CEO Mark Zuckerberg has no more stock options to sell in his company. He reaped a $3.3 billion gain last year by exercising stock options in the social networking company that he founded in a Harvard University dorm room.

PERSON OF THE FORTNIGHT

Chandra Shekhar Ghosh started **Bandhan Financial Services** just 12 years ago in Howrah district by lending to destitute women. On April 2, Bandhan became one of only two entities, the other being IDFC, to secure a banking licence. Several bigger names were in the fray.

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News Digest

As the UPA-II regime comes to a close, finance minister P. Chidambaram is keen to project its achievements. The current account deficit in India is likely to be $35 billion in the current fiscal year, he said – lower than about $88 billion recorded in the previous fiscal year.

The fiscal deficit in the first eleven months of FY 2013/14 touched ₹5.99 lakh crore, or 114.3 per cent of the full-year target. The deficit was 97.4 per cent during the period from April to February a year ago. The government revised the full-year target to ₹5.25 lakh crore, or 4.6 per cent of gross domestic product, from ₹5.42 lakh crore, or 4.8 per cent earlier.

A group of fuel retailers in Delhi has come up with a unique offer to encourage voting: a discount of 50 paise per litre on petrol for customers with the indelible ink mark on their fingers that indicates they voted.

Noel Naval Tata has taken over as the chairman of Trent, the retail arm of the Tata Group. He succeeds F.K. Kavarana, who has retired. Noel Tata is the son-in-law of Pallonji Mistry, the single largest shareholder in Tata Sons and brother-in-law of Tata Group chairman Cyrus Mistry.

Vedanta group company Sesa Sterlite has revamped its board, designating Non-executive Chairman, Anil Agarwal, as Chairman Emeritus. It has given him the role of of Chief Mentor. His brother, Executive Vice Chairman Navin Agarwal, will take over as Chairman, while the former head of Rio Tinto, Tom Albanese, is CEO.

SpiceJet looked set to start a fare war by announcing base fares starting at ₹1. The Directorate General of Civil Aviation asked the airline to scrap the scheme, but it continued until midnight on April 3. It was valid for travel between July 1, 2014, and March 28, 2015, on domestic flights.

India's infrastructure sector output rose 4.5 per cent year-on-year in February, driven by higher electricity, oil refining and steel output. The sector grew 1.6 per cent year-on-year in January. In the first 11 months of the 2013/14 financial year, the output grew 2.6 per cent a year. The infrastructure sector, which includes coal, crude oil, oil refining, natural gas, steel, cement, electricity and fertilisers, accounts for 37.9 per cent of India's industrial output.

Indian manufacturing activity grew at a slower pace in March, as weaker domestic demand dragged on output growth. The HSBC manufacturing purchasing managers' index (PMI), which gauges business activity in Indian factories but not its utilities, fell to 51.3 in March after surging to a one-year high of 52.5 in February.

Indian companies mopped up ₹71,370 crore through the markets during the financial year that ended March 31 – a 13 per cent rise from ₹63,056 crore in 2012/13, according to a report by Prime Database. The funds were raised through various routes, including initial public offer, institutional placement programme and bonds.

Climate change will result in extreme stress on drinking water resources in India and most of Asia, according to a report by the Intergovernmental Panel on Climate Change. The production of crops such as wheat, rice and maize, which are grown in tropical and temperate regions, will suffer if no adaptation measures are taken, the report noted.

India's online retail industry reached $12.6 billion (₹62,967 crore) last year, an annual increase of 32.63 per cent. In 2012, it was $9.5 billion (₹47,349 crore). The Internet and Mobile Association of India expects further growth as policy and FDI issues are addressed.

While Samsung and Apple slug it out over patents in the courts, take a look at what their chiefs are raking in. J.K. Shin, the head of Samsung Electronics Co's mobile business, received $5.8 million in compensation last year. By comparison, Apple CEO Tim Cook received $4.25 million in 2013, little changed from the previous year, when he got compensation of $4.17 million.

The Supreme Court has asked Samsung Electronics Chairman Lee Kun-Hee, South Korea's richest man, to surrender before a trial court in Uttar Pradesh in connection with a $1.4-million cheating case. He has been directed to appear within six weeks before a Ghaziabad court and seek bail and exemption from appearance.

US ambassador to India Nancy Powell has resigned from the post. Powell recently established contact with the BJP's prime ministerial candidate, Narendra Modi, much after other envoys ended their boycott of the Gujarat Chief Minister following the 2002 riots.

The Asian Development Bank predicts that growth in developing Asia will edge higher thanks to the recovery in rich countries, even as China slows. The region's 45 developing or newly industrialised economies will expand 6.4 per cent in 2015 after growing 6.2 per cent this year.

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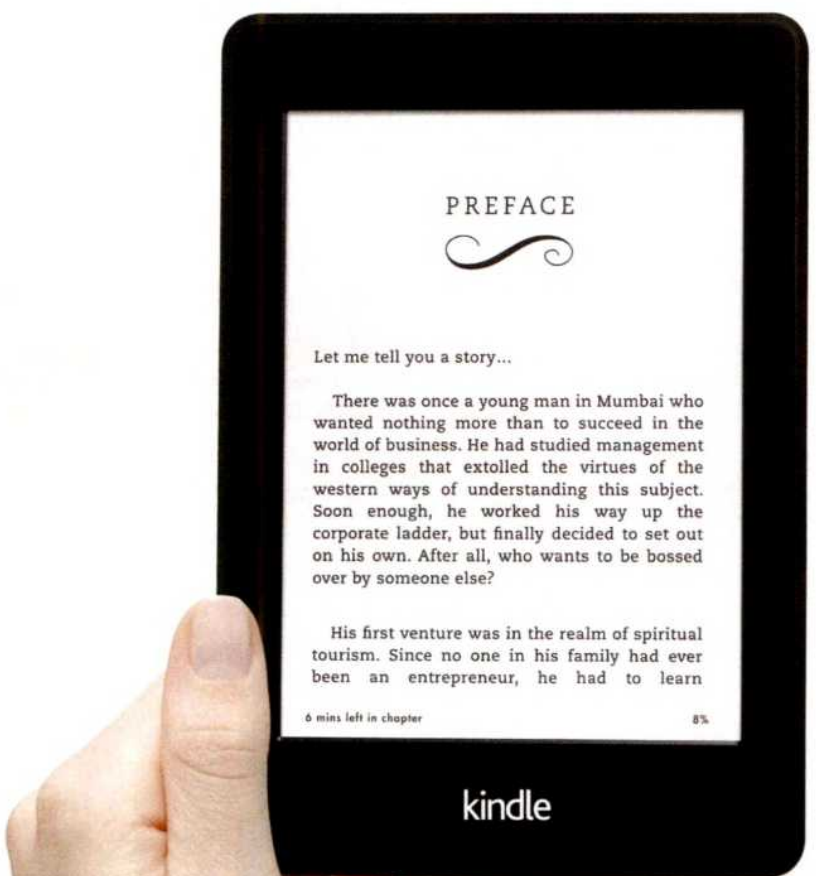

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FOCUS

18 Tech Review
20 Industrial Disputes
22 Battleground Varanasi

RACHIT GOSWAMI

Making a point: RBI Governor Raghuram Rajan

Bracing for Challenges

Raghuram Rajan is preparing to deal with concerns that may arise when a new government takes charge. By ANAND ADHIKARI

$4bn
The amount FIIs have invested in Indian equities since January

Politics plays an important role in economic matters, and even a celebrated economist like Raghuram Rajan cannot ignore the political changes that are likely in coming months. The Reserve Bank of India (RBI) governor is staring at two big challenges that could arise from the outcome of the Lok Sabha polls that end in May. First, financial markets have been displaying what some may call irrational exuberance on expectations the Bharatiya Janata Party (BJP) will form a stable government after the elections. The second fear is whether the RBI and the new government will have any major difference of opinion, especially with regard to fiscal consolidation.

The short-term challenge for Rajan will be to deal with the movement of financial markets if the outcome of the general election springs a surprise. Investment banks and brokerages such as Goldman Sachs, CLSA and Nomura have come out with reports predicting that the BJP and its allies will come to power. This expectation has driven the Bombay Stock Exchange's benchmark Sensex six per cent higher in the past three months, as foreign institutional investors pumped in close to $4 billion.

The surge is a cause for worry. "Clearly, markets are anticipating a stable government and rapid policy action. To the extent markets are disappointed, it will reflect on stocks, perhaps on bond markets and exchange markets," Rajan said after keeping interest rates unchanged on April 1. "We have to be prepared for some turmoil."

Market observers also say the stock market could drop sharply and foreign investments may pull out their money if there is a fractured verdict in the polls. In such a case the rupee would be vulnerable. A depreciating rupee would mean higher imports, which would push inflation higher. So, Rajan is talking about readying to meet any eventuality. He has done it in the past. In September last year, when the US was planning to curtail quantitative easing steps, Rajan managed to attract over $30 billion by opening a swap window for banks to raise deposits from non-resident Indians. That helped the rupee gain from almost 69 versus the dollar in August to about 60 currently.

Rajan has introduced more measures to protect the rupee. In order to curb hot dollar inflows, he barred foreign portfolio investors from buying treasury bills with maturity of less than one year. At the same time, he is encouraging these investors to put money in longer-term government securities. He has allowed foreign investors to hedge foreign currency risks by using exchange-traded currency futures on domestic bourses. This will also help the rupee, which saw a lot of speculative activity in the offshore market last year that hurt its value in India. Besides, the RBI is buying dollars to build a strong foreign exchange kitty, which is now close to $300 billion.

The RBI governor is also worried about the fiscal consolidation road map that the government must follow in order to create room for him to soften interest rates, a key factor in driving growth higher. The full-year Union budget for 2014/15, likely to be presented by July, will provide a peek into the mind of the new government. Rajan is hoping for a budget that will take the fiscal consolidation process forward. Other key issues in understanding the government's agenda include setting minimum support prices for food grains, and fuel and fertiliser subsidies.

A point of dispute between the RBI and the new government could be inflation targeting and its role in determining interest rates. Rajan remains hawkish on inflation and has raised interest rates thrice since September. In the monetary policy review on April 1, he stood pat on interest rates despite calls for a reduction to boost economic growth. Also, the central bank has now made inflation based on the consumer price index as a guidepost to consider any cut in interest rates. It aims to bring down consumer price inflation below eight per cent by January 2015 and to six per cent by January 2016. Analysts say it would be difficult for Rajan to cut rates if inflation accelerates and the fiscal situation worsens due to any populist government policies.

The stiff inflation targets suggest there is unlikely to be a rate cut in the near future. "In such a situation, growth and investments could be casualties in an already fragile environment," says Yogesh Agarwal, Managing Director and CEO of paper maker Ballarpur Industries. Analysts say monetary policy alone can't tame inflation because of constraints in food supplies. "There are administrative fixes and fiscal measures that need to be adopted. This is all the more important because the inflation problem that confronts us is largely the result of supply-side factors," says Sidharth Birla, President of lobby group Federation of Indian Chambers of Commerce and Industry.

Rajan, who was handpicked by Finance Minister P. Chidambaram, has been quite independent in handling the RBI's affairs so far. Some analysts fear the relationship between the RBI and the new government could deteriorate if a non-Congress alliance comes to power. While those fears may be unfounded, Rajan will still have to tread cautiously in the coming months to control any excessive market volatility and deal with a new government. ◆

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RISK FACTORS
Rajan will keep an eye on the new government's agenda

Unveiling of the full budget for 2014/15

Controlling the fiscal deficit at **4.1%** by March 2015

Any hike in minimum support prices for food crops

Policy regarding fuel and fertiliser subsidies

Using consumer price inflation to decide monetary policy

Free for All

Some essential software for your PC. And all of it for free.

By NIDHI SINGAL

CCLEANER

It is a free program by Piriform.com and has been especially designed for Windows PCs. It speeds up the performance of the system by freeing up the hard disk. It protects the privacy of its online users by removing temporary files, history, cookies and other similar stuff from the browser. Above all, it takes just a few minutes to do its cleaning. A must run before you shut down your PC.

PANDORA RECOVERY

Have you ever deleted important files by mistake? Download Pandora Recovery to get them back. It is an excellent free file recovery software. A more advanced "Surface Scan" is also available to recover more files than the standard search does. Files can be recovered from hard drives, memory cards, etc.

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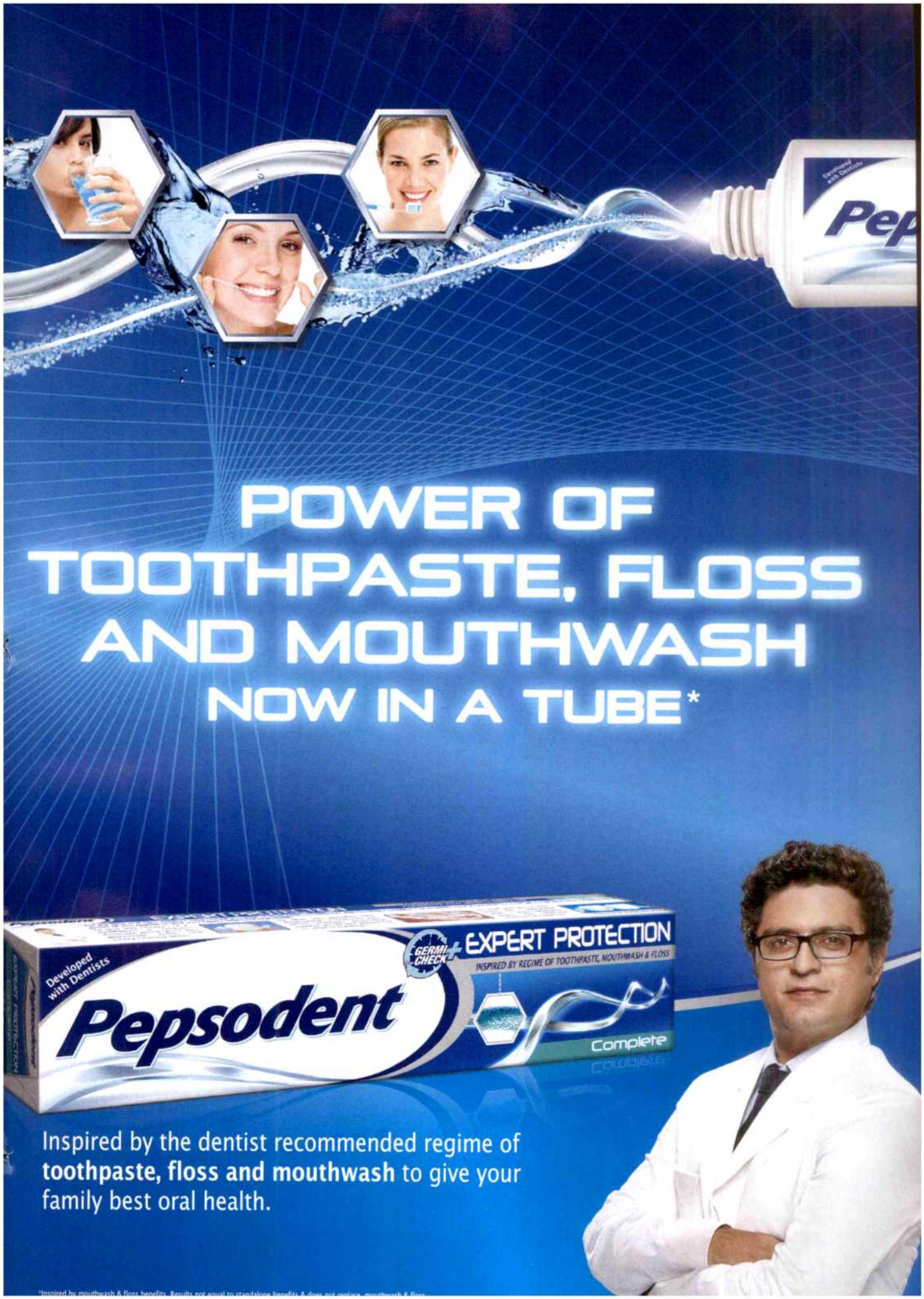
Got some data on your PC that you wish to delete permanently and securely? You can use Simple File Shredder. The software doesn't require any installation – you can even store it on a USB flash drive. It has an intuitive interface, to which the folder can be dragged and dropped. It can also be used to shred system files, such as browser history and cookies or the free space on your drives. Once deleted, you cannot recover the files again, no matter what restore software you use.

MICROSOFT SECURITY ESSENTIALS

Do not install too much protection software on your PC as these could slow it down. Microsoft Security Essentials, a free antivirus program that provides protection against spyware, malicious software and viruses, is enough. Just install and run a full scan. The software doesn't interfere with the performance of your PC. There are three scans – quick, custom and full. You can also schedule a week-long automatic scan when the PC is not in use for that length of time.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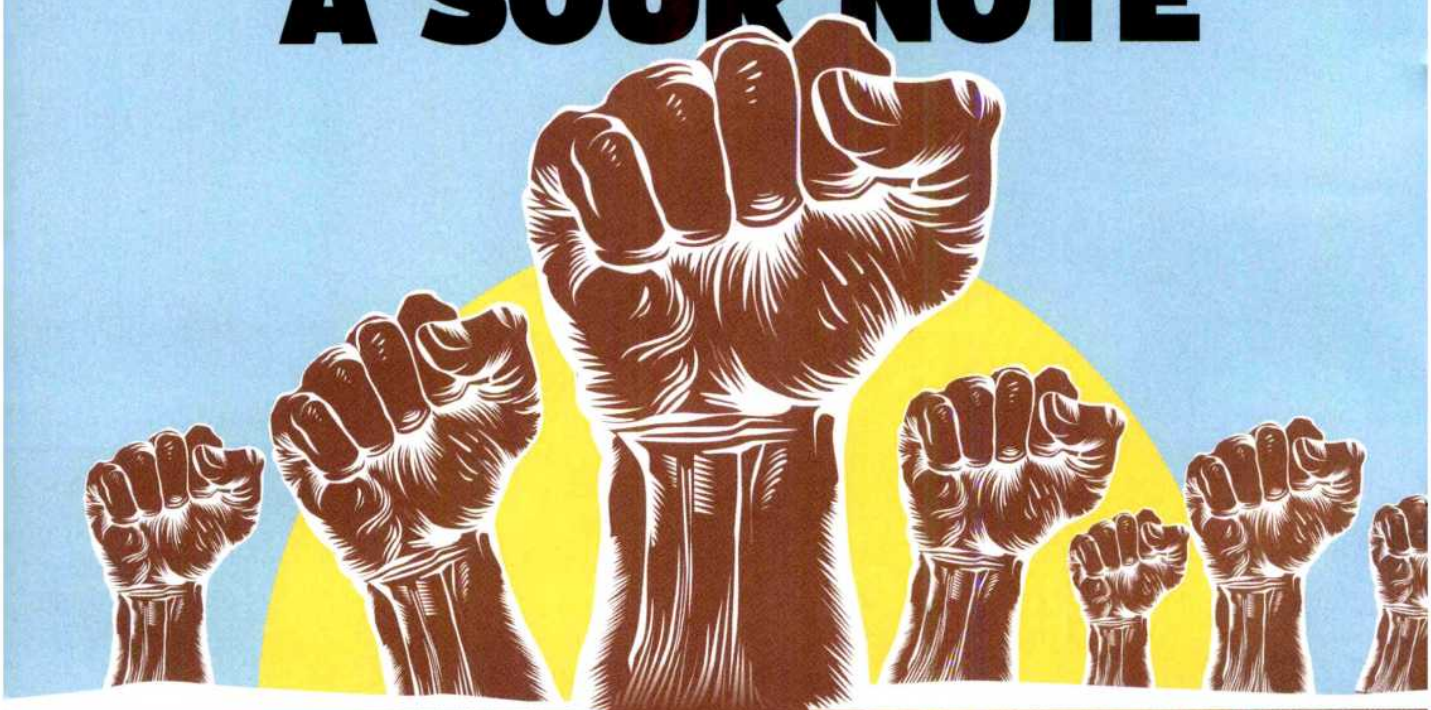
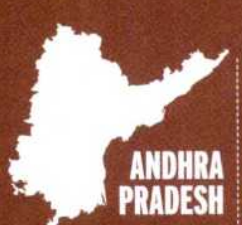
STRIKING A SOUR NOTE



A spate of recent strikes at high-profile companies – Toyota Kirloskar Motor in March, Bajaj Motors in February, Zydus Cadila in January – has once more drawn attention to the state of industrial relations in the country.

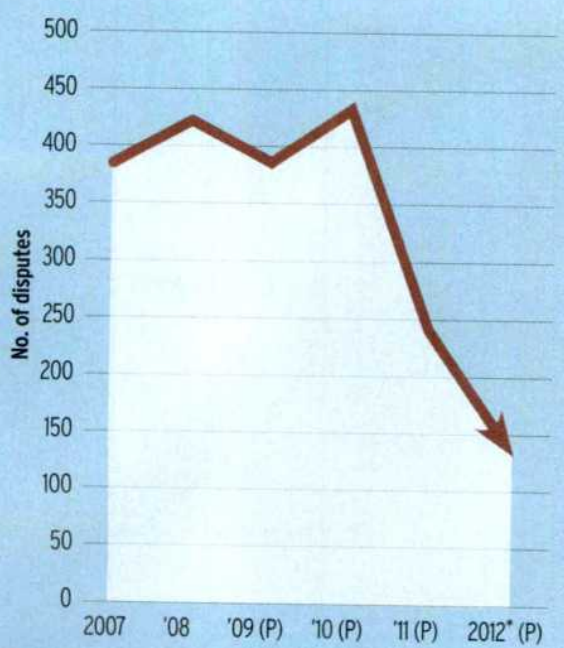
Graphic by **Anand Sinha** Research by **Niti Kiran** and **Jyotindra Dubey**

1 Industrial disputes in nine major states over the past four years



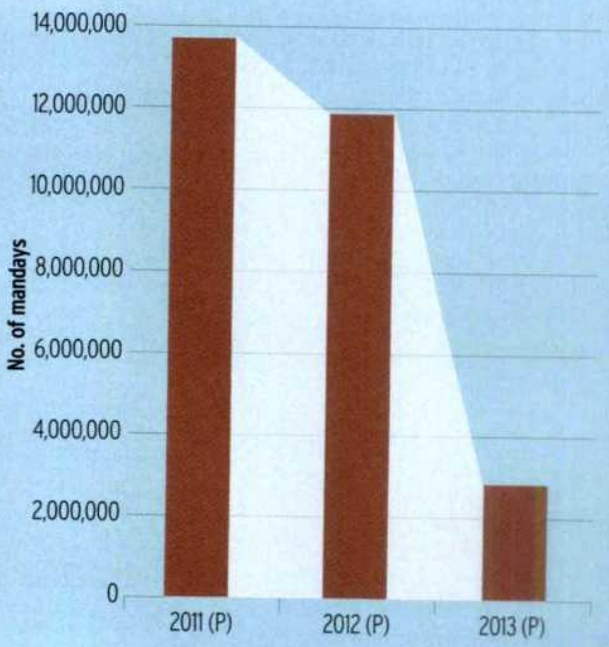
	ANDHRA PRADESH	GUJARAT	KARNATAKA	KERALA
2013 Jan-Oct (P)	4	19	16	31
2012 (P)	20	34	26	48
2011 (P)	21	30	15	31
2010	16	22	10	20

2 Overall, however, the number of industrial disputes has shown a sharp decline between 2010 and 2012



*Jan-Sept

3 The number of mandays lost to strikes and lockouts has dropped sharply in 2013



P= provisional

Source: Ministry of Labour

No. of Disputes

MADHYA PRADESH	MAHARASHTRA	RAJASTHAN	TAMIL NADU	UTTAR PRADESH
7	6	10	23	3
10	11	15	46	6
3	4	15	64	15
1	5	12	87	9

Fished Out

Chaos broke out at the sea-themed corner of the T-Rex Cafe at Walt Disney World in Orlando, US, after a giant fish tank burst without warning. Startled diners rushed out of their seats to avoid getting wet, as water, carrying fish with it, flooded the room. Workers used nets and empty trash cans in a desperate bid to save the fish. Luckily they were all rescued. The restaurant, despite the incident, did not close for even a day.

Good Egg

A scrap dealer in the American Midwest could not believe his luck when he found a $33-million Faberge egg at a bric-a-brac market. The ornamental egg is one of the 50 Imperial Easter Eggs designed by Carl Faberge for the Russian Royal Family. It contains a Vacheron Constantin watch, which Emperor Alexander III gifted his wife Maria Feodorovna for Easter in 1887. This was last seen at a show in St Petersburg in 1902.

Charged in the US

A Rajya Sabha MP, K.V.P. Ramachandra Rao, has been indicted for bribing Andhra Pradesh officials to get a mining licence for minerals used to make titanium based products. So what's new? The indictment is not by any Indian court, but by a grand jury in the US. Five others have also been charged, including a top Ukraine businessman. How does this fall under US jurisdiction? US prosecutors claim it is because US financial institutions were used to transfer the bribe money.

HOW THINGS WORK

RAJ VERMA

Both Sacred and Profane

The most keenly watched contest of the current general election will be the one for the Varanasi parliamentary seat, where the Bharatiya Janata Party's prime ministerial hopeful Narendra Modi squares off against Aam Aadmi Party chief, Arvind Kejriwal. A profile of this city of 1.4 million, lying in the south eastern corner of Uttar Pradesh:

History: Varanasi is the holiest of Hindu holy sites, a pilgrimage centre from ancient times. It is said to be the oldest continuously inhabited city in the world, referred to in the Rig Veda and other ancient texts. Author Mark Twain's comment on Varanasi is much quoted: "It is older than history, older than tradition, older even than legend, and looks twice as old as all of them put together." It is also revered by Buddhists, since the Buddha preached his first sermon at nearby Sarnath.

Political history: Like much of the country, the Varanasi Lok Sabha seat was a Congress bastion during the first three general elections. The Communist Party of India rose as a serious challenger in the 1960s, but the Congress soon reasserted itself under Kamalapati Tripathi, the most important political leader the city has produced. Since 1996, the BJP has held sway over this seat, winning it repeatedly, even as its influence plummeted elsewhere in UP.

Industry: The city is renowned for its silk saris, with intricate zardozi work and costing the earth, must-have bridal wear at most Hindu weddings.

Education: Varanasi has been a centre of learning from ancient times. Today, the Banaras Hindu University, set up in 1916 by freedom fighter and scholar Madan Mohan Malaviya with donations from the general public, is still among the country's top institutions of higher learning. It ranked No. 1 in *India Today*'s listing of top universities in 2013. Its engineering college was given 'IIT-status' in 2011.

Culture: From Tulsidas and Ravidas to Kabir to Premchand, Varanasi has produced an array of top notch poets and writers. In music too, its contribution is enormous – the Banaras *gharana*, a particular style of playing the *tabla*, originated here. Its leading musicians include sitar maestro Ravi Shankar and shehnai virtuoso Bismillah Khan.

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The Return of Optimism

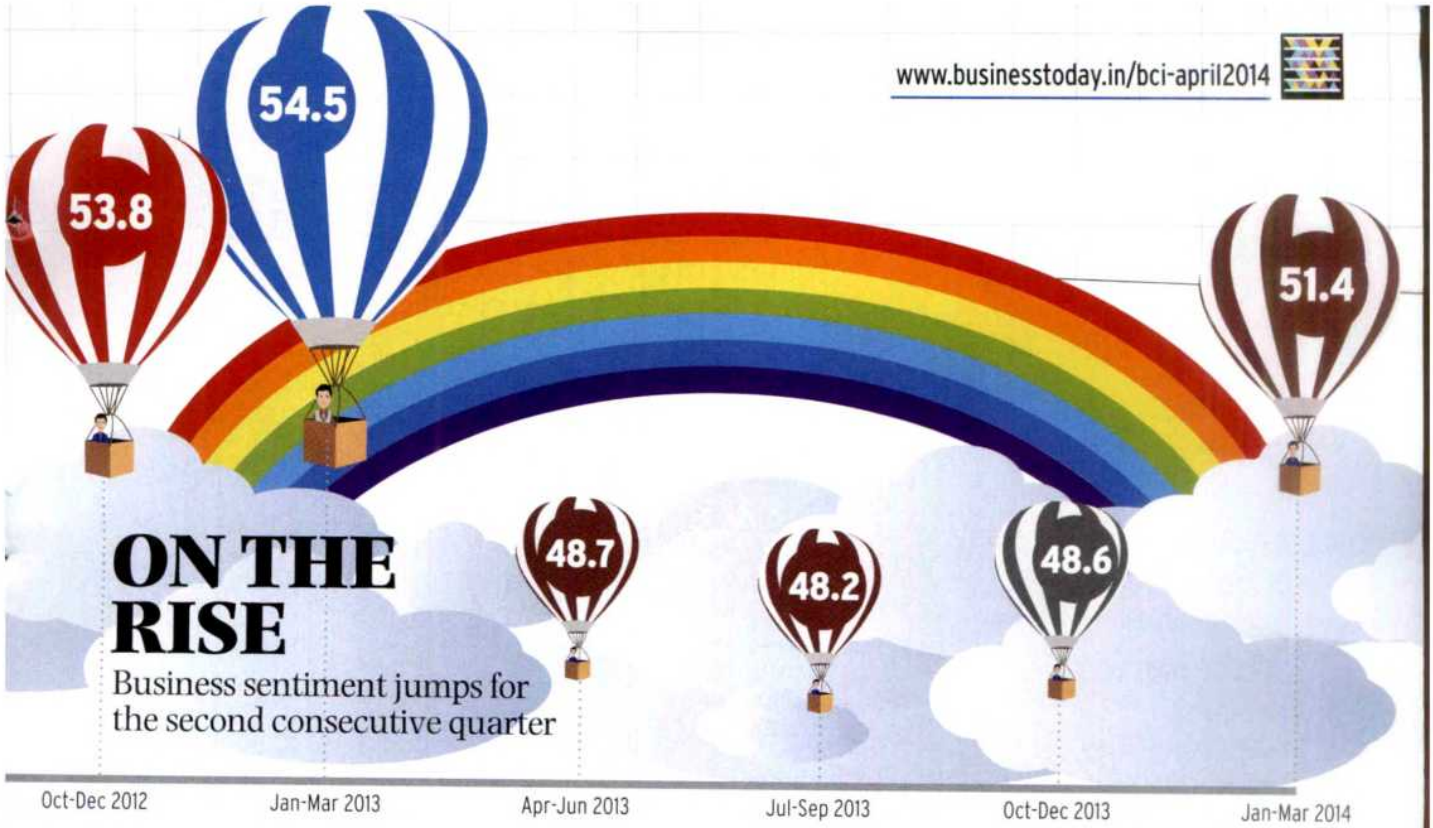
Corporate India plans to make fresh investments after the general election, says the latest *Business Today*-C fore Business Confidence Survey. By MANU KAUSHIK

Coimbatore-based D. Gandhikumar has a foundry that supplies components to more than 150 companies in India. The components go into motors, pumps and air compressors that are used by the agriculture, automobile and capital goods sectors. For the past two years, he has been fighting a fierce battle against the slowdown. Poor growth in the auto and agriculture sectors has dried up his order book and shrunk his revenues. "Two years ago, we couldn't meet clients' demand due to the high backlog, but today there's hardly any demand," he says.

He blames it on multiple factors: erratic power supply across the country, holding up of investments by companies and farmers, high fertiliser and iron ore prices, sky-high interest rates and poor monsoons for the last three years. He says: "Take the case of fertilisers, for instance – if prices are high, farmers are left with no money to buy farm equipment which, in turn, affects demand for our clients' products." He adds that most of his problems can be solved by an effective government. "From June onwards, we expect things to improve."

Gandhikumar is one of many small and medium enterprise (SME) entrepreneurs who are pinning their hopes on the next government. In fact, businesses of all sizes – big, medium, small and micro – are more optimistic today than they were in the October-to-December quarter, according to the latest *Business Today*-C fore Business Confidence Survey.

The survey for January-to-March 2014 shows that sentiment in corporate India has improved significantly since the previous quarter. On a scale of 100, the confidence level was at 51.4 in the fourth quarter of 2013/14, up from 48.6 in the previ-



ous three months. Market research agency C *fore* surveyed 500 CEOs and chief financial officers in 12 cities.

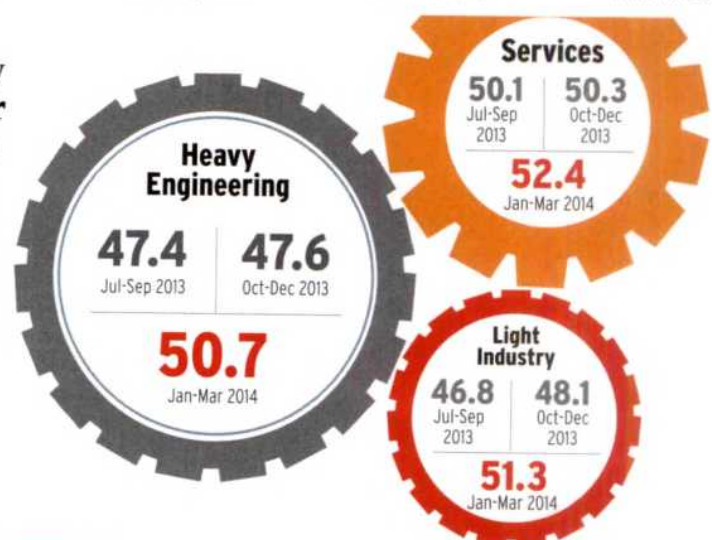
In addition to the broad index figure, a large number of parameters within the survey, too, suggest an upswing in business confidence. For instance, more corporate leaders today expect the overall business situation (30 per cent) and financial situation (27 per cent) to improve in the current quarter (April to June). In the last survey, which was done three months ago, the comparable numbers were smaller – only 13 per cent expected overall business situation to improve, and 12 per cent expected the financial situation to get better.

The cost and availability of finance are two other areas where companies are more confident now than in the last two quarters. In the current survey, 32 per cent of respondents expect finance to be more easily available in the April-to-June quarter. In the last survey, when respondents were asked about their expectations on this issue for the January-to-March period, just 11 per cent were hopeful that things would improve. In the survey before that, the number stood at 16 per cent.

Experts say the cost of external

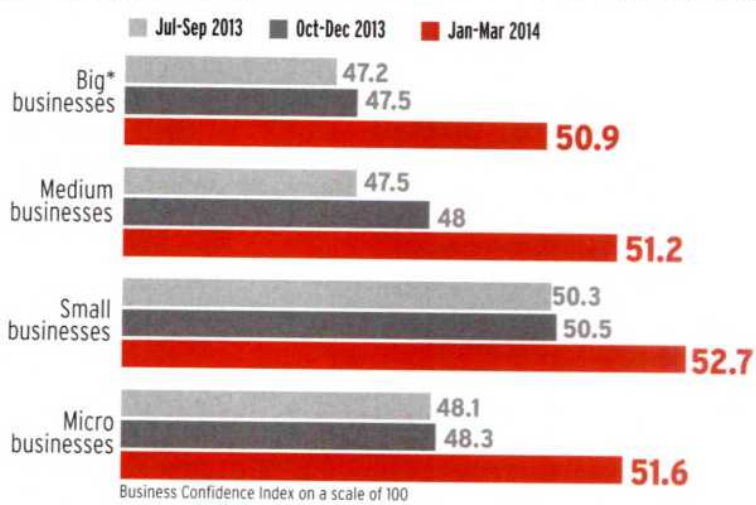
BCI by Sector

All sectors have witnessed an uptick



BCI by Size

Businesses across the board have turned hopeful



*Big businesses: Turnover > ₹500 crore
Medium businesses: Turnover ₹100-500 crore
Small businesses: Turnover ₹5-100 crore
Micro businesses: Turnover < ₹5 crore

"If the election result is positive, the rupee will appreciate further, bringing down the cost of external borrowing, too"

SONAL VARMA
India Economist
Nomura Financial Advisory & Securities

and domestic borrowing will be lower in the current quarter. "Since the rupee is appreciating, the cost of external finance is coming down," says Sonal Varma, India Economist at Nomura Financial Advisory & Securities. "If the election outcome is positive, the currency will appreciate further, bringing down the cost [of external borrowing] too."

Major respite for the economy has come from weakening inflation – retail and wholesale – on account of lower food inflation. Inflation based on the wholesale price index fell to a nine-month low of 4.68 per cent in February, due to a drop in vegetable prices. "While inflation still remains a concern, we don't see interest rates going up – they will remain the same or go down," says Siddhartha Roy, Economic Advisor, the Tata Group.

Anil Bhardwaj, Secretary General of the Federation of Indian Micro and Small & Medium Enterprises (FISME), says: "The last few quarters witnessed a vicious cycle of high inflation, high interest rates and slowing of GDP growth. Businesses perceive the future will be a lot better than the present."

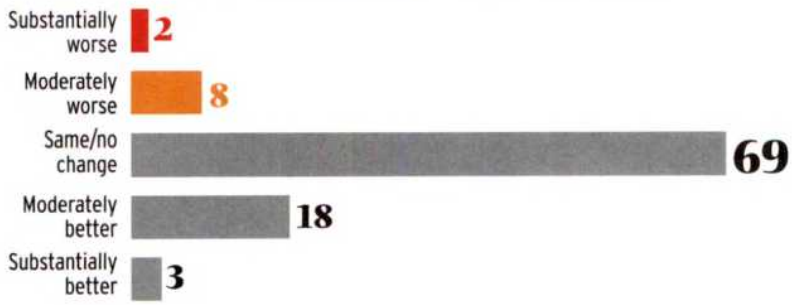
Business confidence hit a high of 74.8 in the quarter ended March 2011, when the survey started, before dropping to a historic low of 48.2 in

CAUTIOUS CHEER

A significant percentage felt the Jan-March period was better than the preceding three months

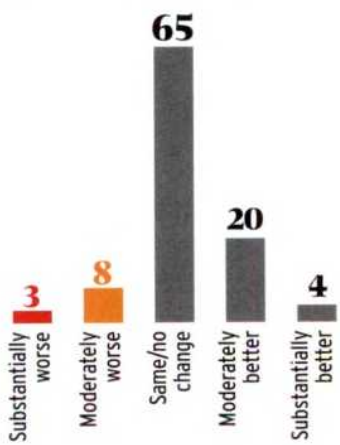
Overall Economic Conditions

The majority, however, said the situation remained unchanged



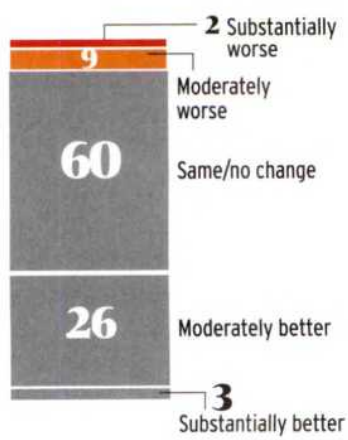
Finance Availability

Most saw no change, but 24% did notice improvement



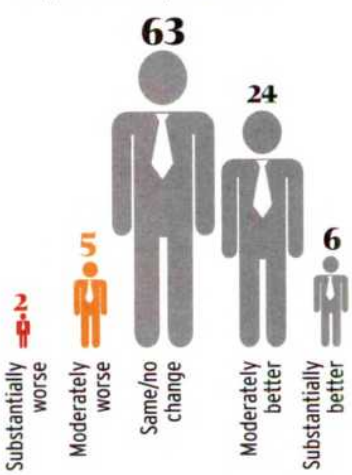
Demand Conditions

More than a fourth saw improvement



Hiring Conditions

Very few were pessimistic

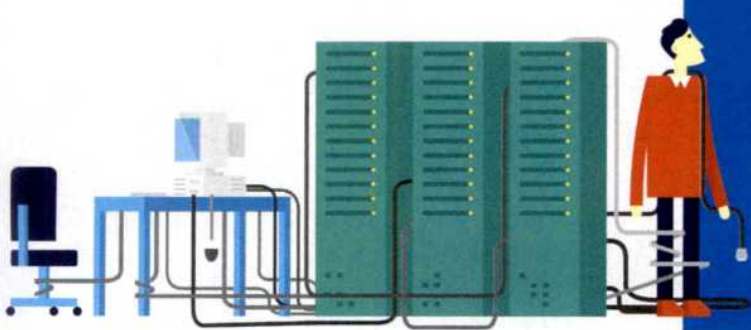


Profit Margins

The majority saw no change, but nearly a quarter were more optimistic

Figures indicate percentage of respondents

Microsoft Azure



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the July-to-September 2013 quarter. The last financial year was particularly subdued due to high inflation, the rising current account deficit, the depreciating rupee and weak economic growth. But the situation has improved on many of these fronts in the past few months.

The survey points out that some 43 per cent respondents expect overall demand (for their goods and services) to go up in the April-to-June period while 50 per cent respondents foresee pick-up in sales during the same period.

The price of raw material is another area where businesses expect things to improve. For instance, 34 per cent respondents say they expect costs to decline in April-to-June period. Siraj Chaudhry, chairman of the Indian arm of US food major Cargill, says the hardening of the rupee against the dollar has resulted in lower input costs for companies such as his. He says: "Edible oil is a big category for us. We are importers. With rupee appreciation, input prices have come down." The rupee has risen around 12.4 per cent to ₹59.75 against the dollar since its all-time low of ₹68.83 in August last year.

Nomura's Varma says raw material prices in general will be lower, because of softer commodity prices. "China, the world's largest consumer of commodities, has witnessed moderation in growth," she says. "Prices of commodities such as coal and metals have seen a decline."

According to the survey, 38 per cent respondents foresee investments in business operations in the April-to-June period – a significant jump from the last survey, in which only 14 per cent respondents said the same.

Interestingly, the vast majority of the respondents (82 per cent) say their overall investment will increase if the new government has a clear mandate. "The elections have raised the prospects of a government that will improve the investment climate by bringing consistency to policies. Increased investment cre-

GLIMMER OF HOPE

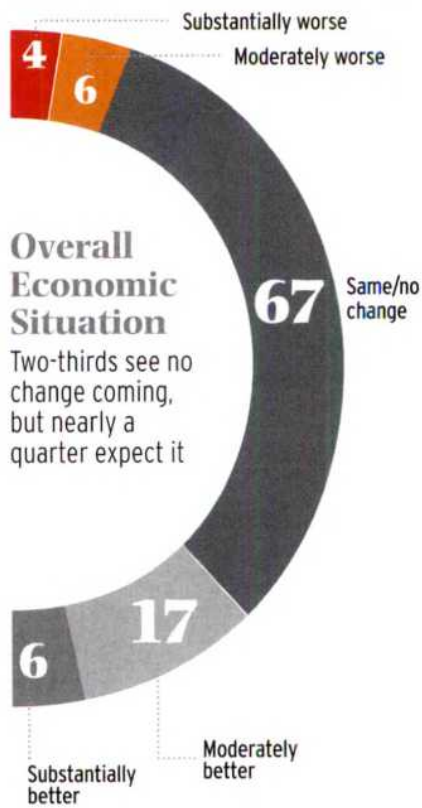
Many companies expect the current quarter to be even better than the Jan-Mar one

Overall Economic Prospects

The majority still expects no change

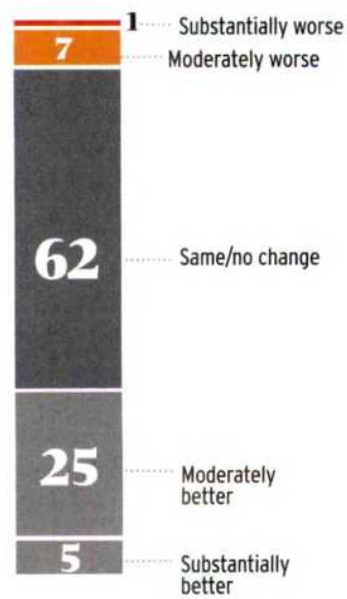
Overall Economic Situation

Two-thirds see no change coming, but nearly a quarter expect it



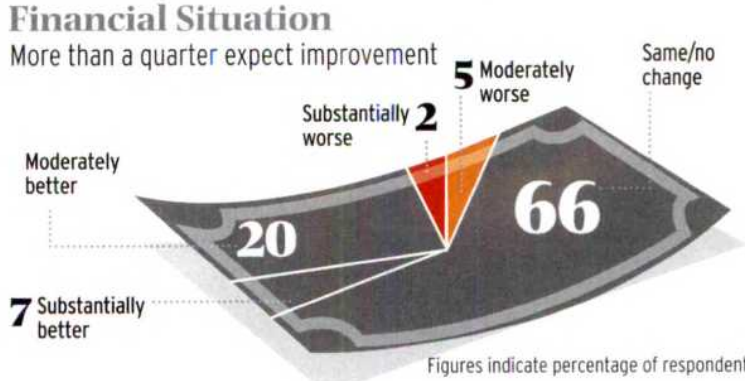
Overall Business Situation

More than half see no change



Financial Situation

More than a quarter expect improvement



Figures indicate percentage of respondents

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"We're keeping a close watch on demand... We'll continue to invest in new products"

RAKESH SRIVASTAVA
Senior VP (Sales & Marketing)
Hyundai Motor India

ates more employment and increases per capita income, leading to increased spending," says Rakesh Srivastava, Senior Vice President (Sales & Marketing), Hyundai Motor India.

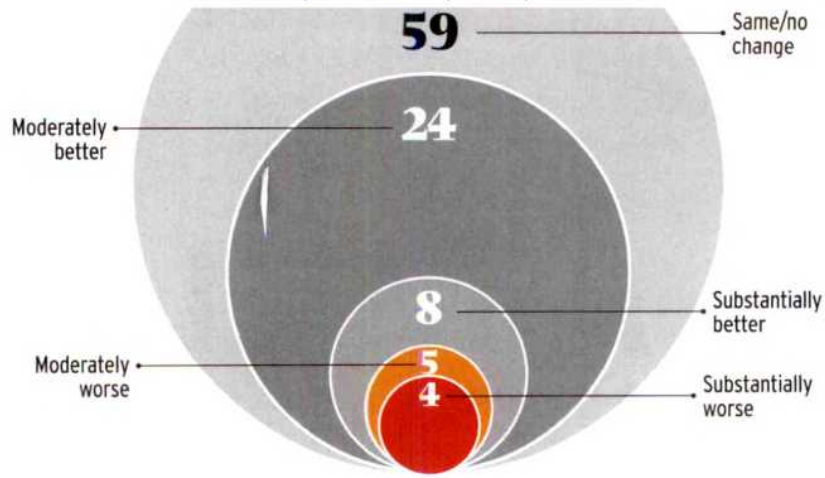
He says his company has invested in three new products in the last six months. "We're keeping a close watch on demand, and will take a decision on capacity expansion accordingly. We'll continue to invest in new products."

Forty per cent of respondents expect hiring to improve in the April-to-June period – significantly higher (16 per cent) than in the last survey. Adil Malia, President for Human Resources at the Essar Group, says recruitment is expected to improve in the next 12 months. "Hiring in fast-moving consumer goods, IT and pharma will be more robust as compared to infrastructure and manufacturing," he says.

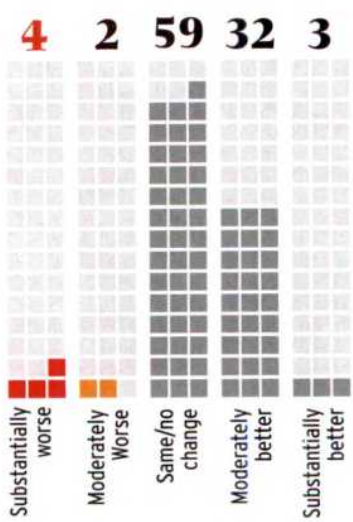
The survey indicates that corporate leaders' hopes of the new government are high, with 86 per cent expecting economic growth to pick up after the election. "Money is flowing into capital markets in anticipation of a stable government. If that happens, one could expect GDP growth to accelerate," says Roy of the Tata Group. ◆

@manukaushik

Availability of Finance
Nearly one-third expect improvement



Raw Material
Some optimism on inventory



Finished Goods
46% expect inventory to improve

Selling Price Pickup
A fifth expect improvement

Substantially worse	3
Moderately worse	8
Same/no change	69
Moderately better	16
Substantially better	4

Figures indicate percentage of respondents

Hiring Pickup

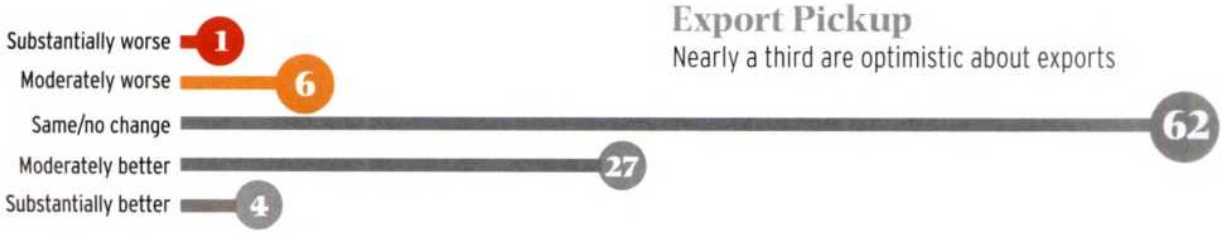
40% look forward to more hiring

Import Pickup

More than one-third of respondents expect an increase in imports

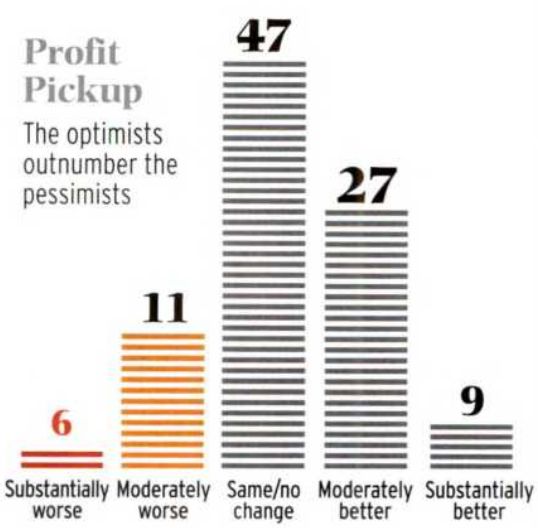
Export Pickup

Nearly a third are optimistic about exports



Profit Pickup

The optimists outnumber the pessimists

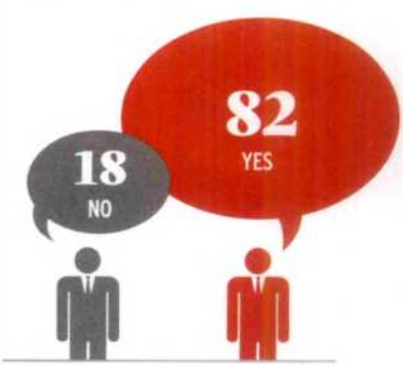


Economic Growth

The majority see growth picking up once the new government comes to power

Overall Investment

The majority see an increase if the new government has a clear mandate



Figures indicate percentage of respondents

METHODOLOGY

Market research agency C fore designed and conducted the survey. Field work was conducted in March 2014. A structured questionnaire was administered to the CEOs or CFOs of companies. In all, 500 CEOs or CFOs representing various industries, from companies of varying size, were interviewed. The survey covered 12 cities: Delhi, Mumbai, Chennai, Hyderabad, Bangalore, Kolkata, Chandigarh, Lucknow, Nagpur, Kochi, Visakhapatnam and Bhubaneshwar. Companies were segmented based on turnover and products. Those with a turnover of more than ₹500 crore were classified as big, those with a turnover of ₹100-500 crore as medium, those with a turnover below ₹100 crore as small, and those with a turnover of under ₹5 crore as micro businesses.

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Field trials have been allowed again in India. But two decades after their global launch, genetically modified crops remain controversial. By AJAY MODI

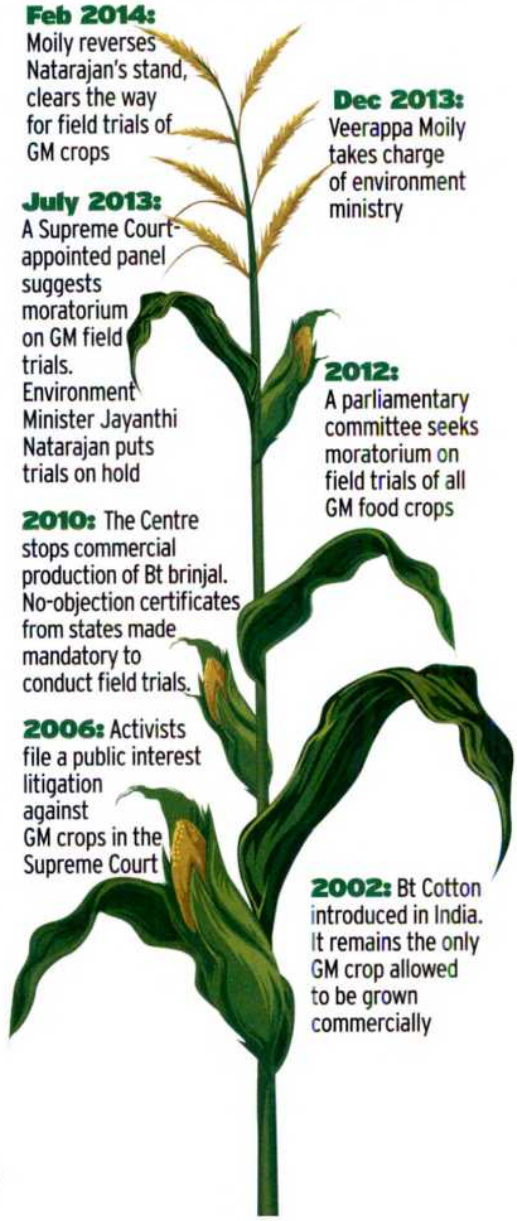
During a visit to India in March 2005, Norman Borlaug – widely regarded as the father of the Green Revolution – supported producing genetically modified (GM) food to eradicate hunger from the world. "It is better to die eating GM food instead of dying of hunger," said the Nobel laureate, who passed away in 2009.

Nine years after the American biologist who helped save millions of people from starvation made that comment and 12 years after the first non-food GM crop was planted in India, the country has yet to approve commercial cultivation of a GM food crop. In fact, India is still debating allowing field experiments for GM food crops and only recently removed a year-long embargo on scientific trials. This is despite India emerging as the fourth-largest country to grow GM crops in 2013, with farmers planting Bt cotton on about 11 million hectares of land. Commercial cultivation of Bt cotton started in 2002, and the fibre remains the only GM crop to be commercially grown in the country.

Naturally, the proponents of GM crops are unhappy with the slow progress. "While farmers in our fellow emerging nations Brazil and China access the latest cutting-edge agri biotechnologies and six million Indian farmers once again plant hybrid Bt cotton seeds on over 90% of cotton acres, it has been quite a few years since India approved any new agriculture biotechnology for farmers," says Gyanendra Shukla, Managing Director of Monsanto India, a unit of the US agribusiness giant.

CONTENTIOUS CROP

The journey of genetically modified crops in India



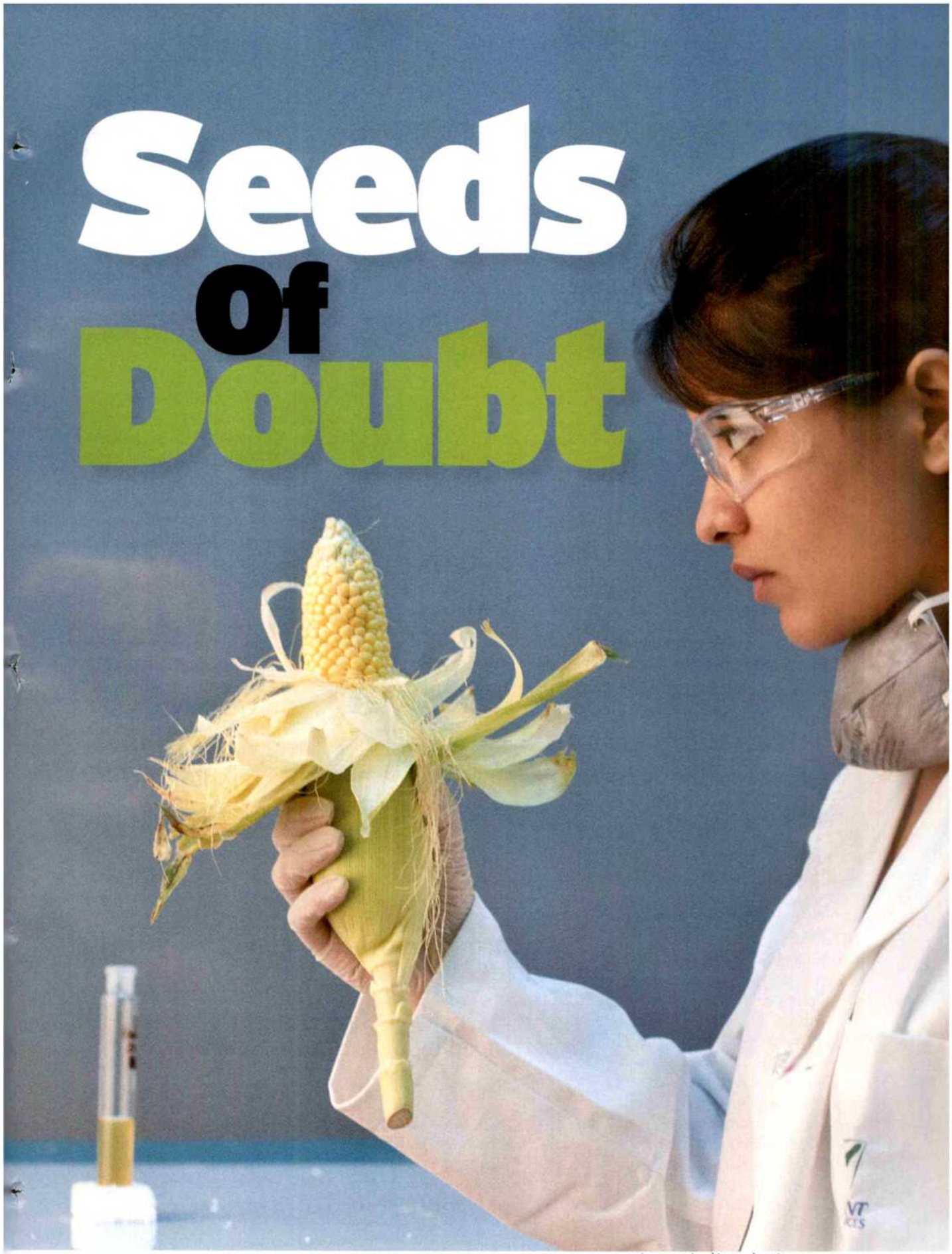
While more clarity on the future of GM crops in India will come once a new government is formed after elections that end in May, the outgoing government has set the ball rolling. The Genetic Engineering Appraisal Committee (GEAC), a wing of the environment ministry, approved field trials for 11 crops in March. These include crops such as maize, rice, sorghum, wheat, groundnut and cotton.

The GEAC's decision came a couple of weeks after Veerappa Moily, who took over as environment minister in December last year, reversed his predecessor Jayanthi Natarajan's stand on the issue. Moily's appointment as environment minister has had a side effect, too. Shares of Monsanto India have doubled since December while that of BASF, another leading GM technology player in the country, have jumped more than a fourth.

Natarajan had decided against trials in the wake of a Supreme Court case on field trials and regulatory regime in GM crops even though there was no explicit order to do so. The case was filed by civil society group Gene Campaign and activist Aruna Rodrigues, who had sought a blanket ban on field trials. A court-appointed expert panel to study the matter had suggested an indefinite moratorium on trials of GM crops unless shortcomings in the regulatory process were plugged. However, one committee member had given a dissenting note on the moratorium. The government has challenged the panel's recommendations and the apex court is likely to take up the matter later in April.

Natarajan's predecessor, Jairam Ramesh, also wasn't very supportive of GM crops. Ramesh had, in February 2010, stopped the commercialisation

Seeds of Doubt



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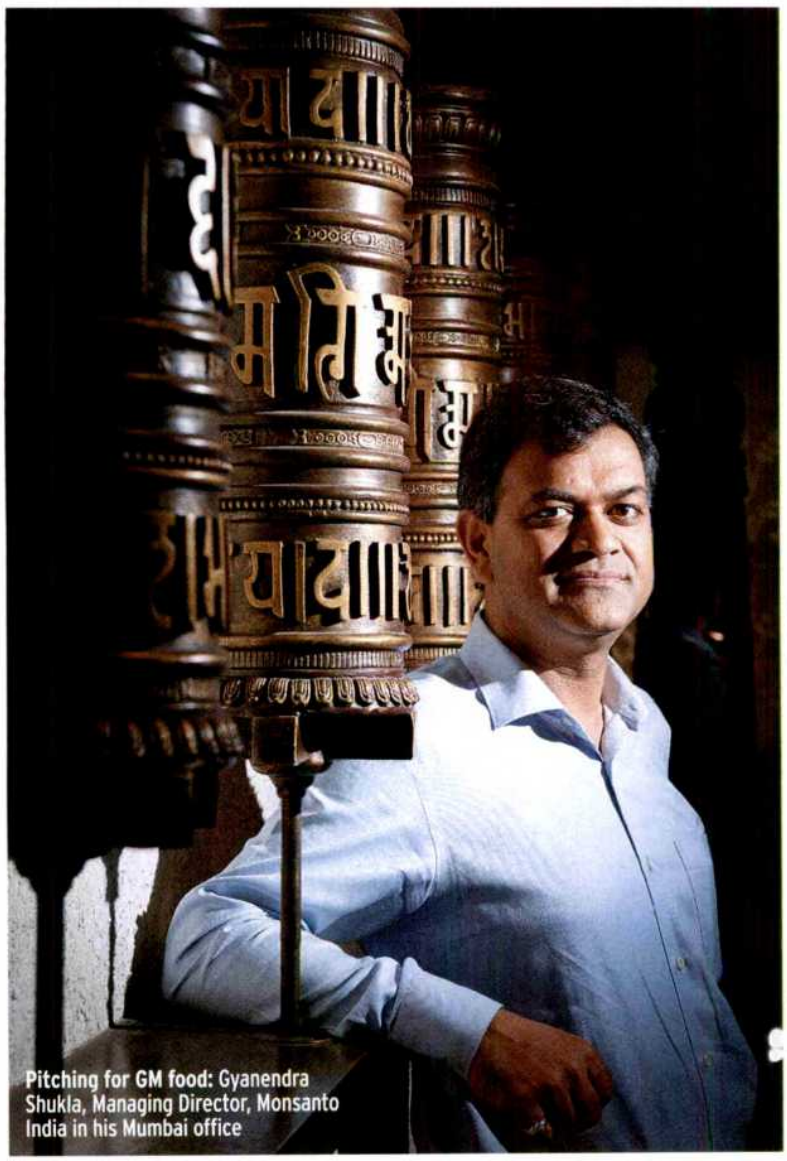

Pitching for GM food: Gyanendra Shukla, Managing Director, Monsanto India in his Mumbai office

NISHIKANT GAMRE/www.indiatodayimages.com

of Bt brinjal owing to a lack of consensus among scientists and opposition from brinjal-growing states. Ramesh said at the time that the moratorium was imposed to allow scientific studies to establish the safety of the product from the point of view of its long-term impact on human health and environment. He also suggested setting up a biotechnology regulatory authority. This authority has yet to be set up. A Bill introduced in parliament proposing to set up such a regulatory agency will lapse with the dissolution of the 15th Lok Sabha.

Meanwhile, neighbouring Bangladesh has recently approved commercial cultivation of Bt brinjal. This has fuelled concerns that the crop could slip into India through West Bengal, which also happens to be the biggest brinjal producing state in the country.

"GM food has been safely cultivated and consumed across the world, including tomato (China), papaya (the US, China), corn (16 countries), and squash and zucchini (the US). Similar results have been experienced by Indian cotton farmers"

While the environment ministry had been opposing GM food crops until recently, not everyone in the government had the same opinion. On February 3, weeks before Moily allowed field trials of GM crops, Prime Minister Manmohan Singh said the government was committed to promoting the use of GM technologies for agricultural development. "While safety must be ensured, we should not succumb to unscientific prejudices against Bt crops," he said in a speech at the Indian Science Congress in Jammu.

Also in February, Agriculture Minister Sharad Pawar said opposition to the GM technology will affect the morale of the scientific community. He said the government was not against GM crops but added a rider. "We want to continue field trials. Simultaneously, we are ready to take all precautions... GM crops will be released only after full satisfaction on the assessment of their impact on plants, animals and human beings," Pawar said at an event in New Delhi.

The decision to allow trials has invited criticism from political parties. The Arvind Kejriwal-led Aam Aadmi Party has demanded that all field trials be stopped. Civil society groups have also opposed the move. They argue that GM crops pose risks to human health as well as the environment. Activists say that genetic modification of crops has increased the use of herbicides by farmers, which has raised health concerns because of the possibility of a rise in the level of toxic chemicals in food products. GM crops also harm the soil and some

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insects that help farming, they say.

Rajesh Krishnan, Convenor of the Coalition for a GM-Free India, alleges that Natarajan was removed from the environment ministry to push projects, including GM trials, pending for want of environmental clearances. "We are urging people to vote for political parties who are against the concept of GM food. We should have a need-based assessment of GM crops since the technology is irreversible once it gets released into the environment," he says. Suman Sahai, Chairperson of Gene Campaign, echoes the view. "The decision of allowing trials is a reckless move. Our country is taking up indiscriminate GM programme without realising the purpose it will serve. We do not blindly oppose this technology but it cannot solve all problems of agriculture," he says.

Biotech companies have allayed these concerns. "GM food has been safely cultivated and consumed across the world, including tomato (China), papaya (the US, China), corn (16 countries), and squash and zucchini (the US). Similar results have been experienced by Indian cotton farmers," says Shukla of Monsanto.

Shukla says research trials could begin as early as the forthcoming kharif crop season that begins in the summer months. "We will be filing new applications for field trials in 2014 planting seasons," adds K.C. Ravi, Vice President of Commercial Acceptance and Public Policy for South Asia at Syngenta, a Swiss chemicals and biotech company.

Ravi says Syngenta is working on technologies in maize that intend to provide protection from insects and help control growth of weeds. These technologies will help reduce any loss in yields, thereby increasing profitability for farmers, he says. Countering the claims of activists, Ravi says that GM food and feed products are the most extensively tested and regulated in the entire food sector. "Testing by independent public authorities and scientists throughout the world continues to demonstrate that approved GM plants are just as safe as, or safer than, conventional varieties."

The Indian research community is also supportive of GM field trials. Research bodies say that the regulatory mechanism in India is adequate and that the government can reject a GM crop for commercial cultivation if field trials find the product is not suitable for the environment or human consumption. Virander Chauhan, the New Delhi-based Director of International Centre for Genetic Engineering and Biotechnology, says the GM technology is easy to adopt and relatively inexpensive. "Scientific concerns related to the GM technology are not at all justified. There is ample evidence in the literature and in the fields that, scientifically, GM crops are entirely safe," he says.

The Ludhiana-based Punjab Agriculture University has conducted field trials of cotton and corn for companies including Monsanto and Syngenta. S.S. Gosal, Director of Research at the university, says biotechnology is an important way to ensure food security by increasing production. Gosal, whose research field also happens to be biotechnology, says people in India are already consuming insecticides indirectly when they eat vegetables. "A brinjal crop normally requires up to 30 sprays of insecticides. This goes into the human consumption indirectly. If we grow and consume Bt brinjal, we will consume some of the genes that have been built into the seeds to make the crop pest- and herbicide-resistant," he says. "Ultimately, we have to see which of the two is less harmful for consumption." ◆

@ajaymodibt

CREAM OF THE CROP

The top countries in terms of area under GM crops

Country/ Area in million hectares (2013)/ Biotech crops

Maize, Soybean, Cotton, Canola, Sugar beet, Alfalfa, Papaya, Squash

Soybean, Maize, Cotton

Soybean, Maize, Cotton

Cotton

Canola, Maize, Soybean, Sugar beet

Source: International Service for the Acquisition of Agri-biotech Applications website

Should GM food crops be allowed in India? Post your comments at www.businesstoday.in/gmfoods-India. *The best response will get a gift voucher.*

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"Performance, Not Ideology, Should Decide Next PM"

RAJ

AKSHAY GOENKA
PGP 2013-15, IIM BANGALORE

AGREE

"We need, not an inspiring orator, but an able administrator"

From 8% growth in 2010/11 to barely 5% in 2014, with inflation in sticky double digits, the rupee tumbling past 60 to the US dollar and foreign investment falling, India hasn't shown much capacity to sustain growth. We have ranked 134 for the last 30 years on the human development index and we are the fourth most-unsafe country in the world for women. Our health care lacks quality and outreach; literacy is low and malnutrition rampant.

In such a situation, we do not need an inspiring orator but an able administrator. History has presented us idealists and visionaries at the helm of affairs who showed us dreams but never helped us realise them. History also gave us administrators who took quick and strong decisions and saved us from the brink of collapse, as in 1991. Right now, we need someone who looks beyond state chauvinism and lobbying, and can deliver despite a coalition government.

We need a metric to assess our progress, and a leader who can leverage local successes on a national scale. We need someone who doesn't just give us spiel on empowerment and progress, but one who has actually demonstrated his ability to provide these. Our people have immense potential, and it would be a shame if our votes were wasted on a prime minister who cannot help us realise it. Let's not vote for the ideology we align with, but for leaders who display the performance we require and deserve.

SHUBHAM AGARWAL
PGDM (1st year), IIM Calcutta

DISAGREE

"Ideology is what you shall be judged against"

Performance metrics over ideological rhetoric would have been fine were we living in an ideal world. But think about 1939. In retrospect, would you judge Hitler on the basis of the impressive economic growth he delivered for 10 years or on his anti-Semitic ideology? If the only criteria were performance, the world would not have been in such an uproar over Russia's military occupation of Crimea.

Cold facts suggest that Russia offers a better future economically to the Russian majority population in Crimea. But ideology tells us: no. We cannot have more of 19th century-style bullying of smaller states by aggressive expansionists. The Crimea debate has relevance to the one going on in Indian politics right now. Good performance metrics can be due to a global boom, an unusually efficient bureaucracy, a nation's natural wealth or a hangover of good groundwork. It is extremely difficult to tie it specifically to the candidate in consideration.

Ideology, on the other hand, is how society defines you. It is your own; it is what you shall be judged against. Contemporary politics also sometimes ignores the role of the bureaucracy in nation building. After the ideas are finalised, it is our bureaucrats who do the unglamorous work of drafting and implemention. I know I would prefer a PM with good, solid ideas rather than someone who has projected an image of himself, which may or may not be replicable at the national level.

The debate continues online. Management students, do log on to www.businesstoday.in/bschooldebate and record your views, to make this an intellectually stimulating endeavour. The most well-thought-out comment wins a year's subscription to *Business Today*.

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Economy vs Democracy

As the country gets election fever, cash comes out of mattresses and turns into liquor, gifts, and food. But it is not bad for the health of the economy, reports *Sarika Malhotra* from the trenches.

In the large office of the Chief Election Commissioner, at Nirvachan Sadan in the womb of New Delhi, its occupant Veeravalli Sundaram Sampath is hunched over at a modest, rectangular desk in the centre, several feet away from the heavy, square one next to the wall on the far side that is his work station. High-ranking bureaucrats like to receive visitors either at the big desk, or at the sofa set, around a low table, that is found in all their offices. Sampath, pen in hand, his brow lined in intricate patterns, cuts an unusual figure at the rectangular desk. But what he has to say is more than unusual. He speaks about cash and liquor, of wedding parties without a wedding, and of other forms black money takes during election season.

This is the season when India acquires the look of a country much removed from the popular western perceptions of poverty and malnutrition. There is ample money going around as campaigns and rallies gather steam and wads come out of the proverbial mattresses. But there are common instances of money actually stashed in gunny bags and stored in houses of political parties' trusted chieftains, who channel it into the hands of "workers" – people who throng the streets on motorcycles, cycles, and rickshaws, and gather at corner tea shops in the evenings in their bid to influence voters.

Far away from Sampath, in the village of Vaishali, in the Bihar district of the same name as the village, two brown plastic chairs appear magically under a tree next to a cluster of shops selling tea, snacks and things of everyday use. Sitting in one of those chairs, Mantu Kumar – 40-year-old, of average height, wearing jeans, shirt, a thin moustache, three-day-old stubble, and a well-fed look – looks every bit the man next door. But he transforms once he wraps the cotton scarf on his shoulders around his neck and mounts his 100cc motorcycle. Stopping every now and then to meet people, make arrangements, bark orders, and strike bargains, he becomes Maalik Bhai, which is how

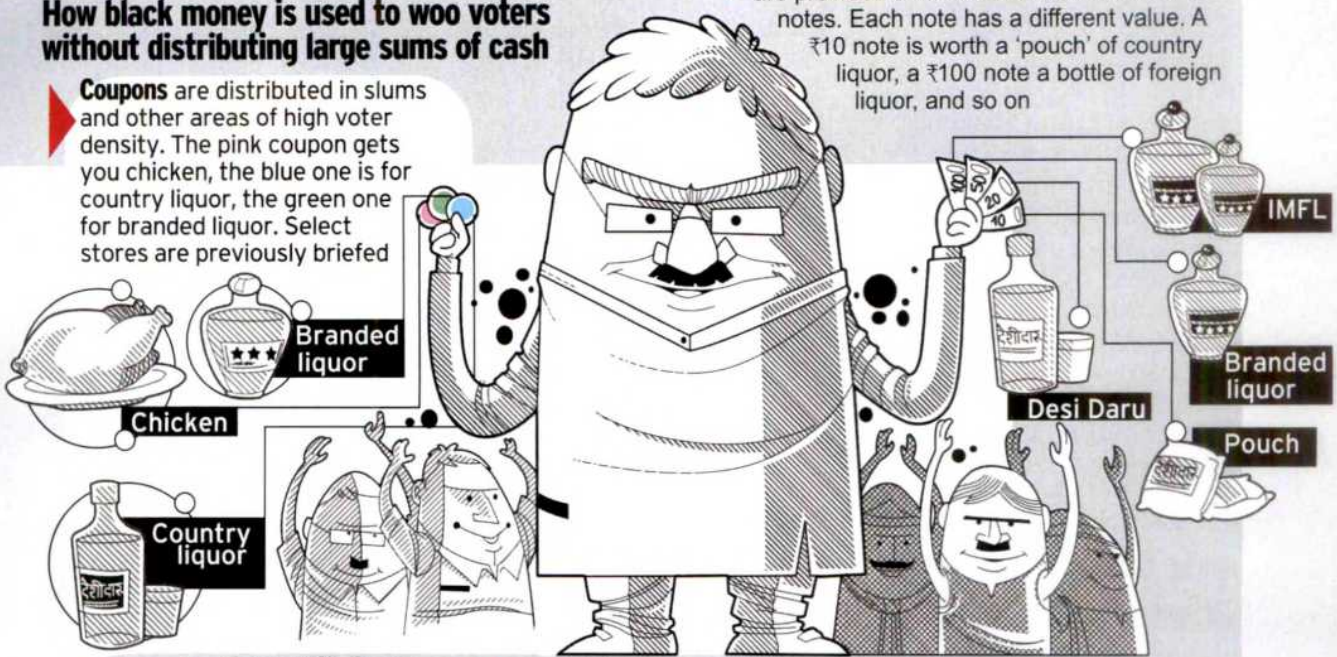
ILLUSTRATIONS BY AJAY THAKURI

Indirect Transfer

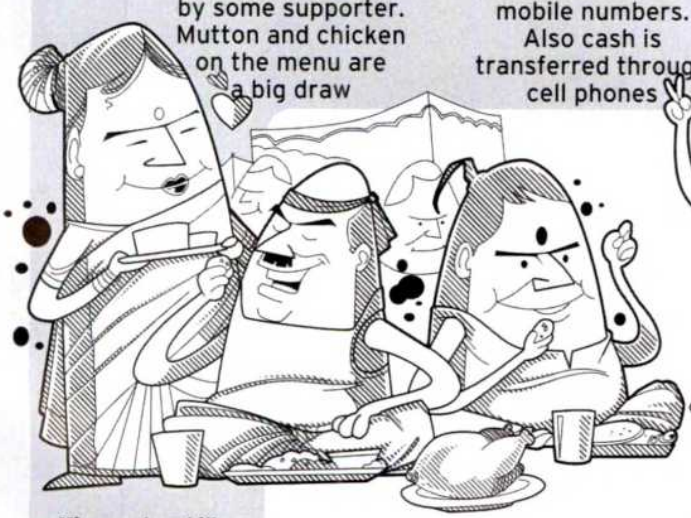
How black money is used to woo voters without distributing large sums of cash

Coupons are distributed in slums and other areas of high voter density. The pink coupon gets you chicken, the blue one is for country liquor, the green one for branded liquor. Select stores are previously briefed

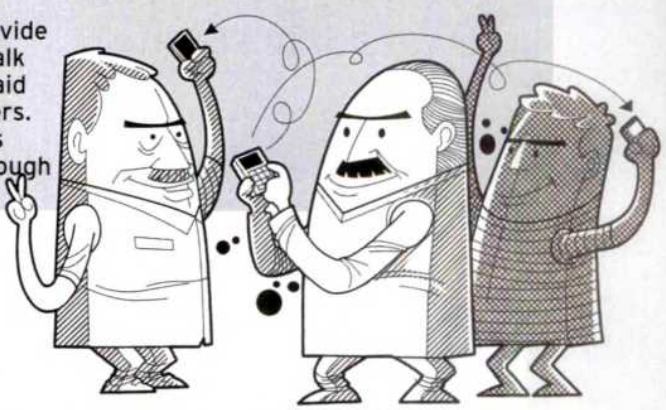
Notes of small denomination – ₹10, 20, 50, 100 – are distributed. Select liquor vends are provided a list of serial numbers of the notes. Each note has a different value. A ₹10 note is worth a 'pouch' of country liquor, a ₹100 note a bottle of foreign liquor, and so on



Community feasts are sponsored by candidates, though seemingly hosted by some supporter. Mutton and chicken on the menu are a big draw



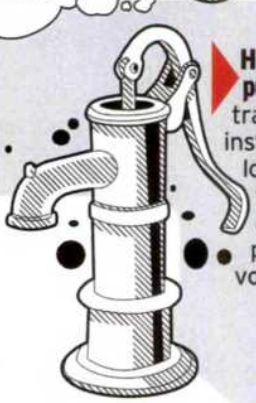
Talk time Candidates provide voters free talk time on prepaid mobile numbers. Also cash is transferred through cell phones



Liquor pouches are distributed to voters, smuggled in milk vans

Kirana shop bills are paid by the candidate on behalf of voters. Some even provide voters month-long free rations

Hand pumps and transformers installed in localities which can be potential vote banks



everyone in Vaishali village knows him. Here in this little pocket borough, which first gave the world the concept of a republic, Maalik Bhai is known as the man who wins elections for the candidate who pays him for his backing.

Unknown to Sampath and Maalik Bhai, their lives have got intertwined as Sampath shows a steely resolve to curb the role of black money this election, bringing together 10 intelligence agencies of the government – among them Directorate of Revenue Intelligence, Financial Intelligence Unit and Coast Guard – in an unprecedented crackdown.

Standing in his way is Maalik Bhai and his ilk, small but critical links in the chain that harnesses black money as it comes gushing. Every parliamentary constituency has, on average, eight assembly seats, each assembly has two blocks and 200 to 250 panchayats. There is a Maalik Bhai in every panchayat. They report to those who man the blocks, who in turn report to those in charge of areas contiguous to assembly seats. Each assembly seat is managed by a local strongman who reports directly to a political leader.

Cash, out

Niranjan Sahoo, Senior Fellow at Observer Research Foundation, who is coordinating a study series on campaign finance reforms, says black money first came to dominate electoral politics in 1969, when Prime Minister Indira Gandhi banned donations from corporate houses to political parties. "She did not do it with any intent to clean up the system. It was a political decision to curb the growing influence of the Swatantra Party started by C. Rajagopalachari, which was receiving considerable encouragement from the business community."

Every currency note that comes out of hiding and is spent, goes into somebody's pocket, adds to his spending power, often getting taxed at some stage

Given the way politics can influence business, and vice versa, their relationship could not be terminated by the ban, it only changed colour. India is already a country with dollops of wealth for which taxes have not been paid. Why, less than three per cent of the population pays direct tax. Arun Kumar, professor at Jawaharlal Nehru University's Centre for Economic Studies and Planning, and the author of the book *The Black Economy in India*, says the parallel, black economy is at least as big as half the gross domestic product (GDP, which is currently valued at ₹120 lakh crore, at market price).

No wonder there is a fillip to the GDP in the years of Lok Sabha elections, world's biggest political workout. Every currency note that comes out of hiding and is spent, goes into somebody's pocket, adds to his spending power, and gets spent again, often getting taxed at some stage. It comes out of the unaccounted-for, cash economy, which generations of finance ministers have struggled to tame, and gets added to the economy that is accounted-for.

"We are all aware that people go to voters with ₹1,000 notes and bribe them. How do you stop that? Political parties would have disclosed funding details if they were not under pressure to spend the kind of money which is required in a campaign. There is no point in

SOURCES OF INCOME

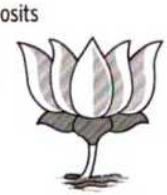
How the six national parties raised funds between 2004/05 and 2011/12. The largest contribution was as donations or coupon sale. These are a well worn means of laundering black money since the source of donations below ₹20,000 does not have to be revealed and multiple small donations can be made

Indian National Congress (INC)

Sale of coupons
77.34%
Donations
12.98%
Interest on FDs
5.60%
Others
4.08%

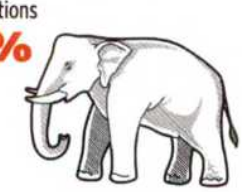
Bharatiya Janata Party (BJP)

Voluntary contributions
84.03%
Interest from bank deposits
6.96%
Aajiwan Sahayog Nidhi
5.81%
Others
3.91%



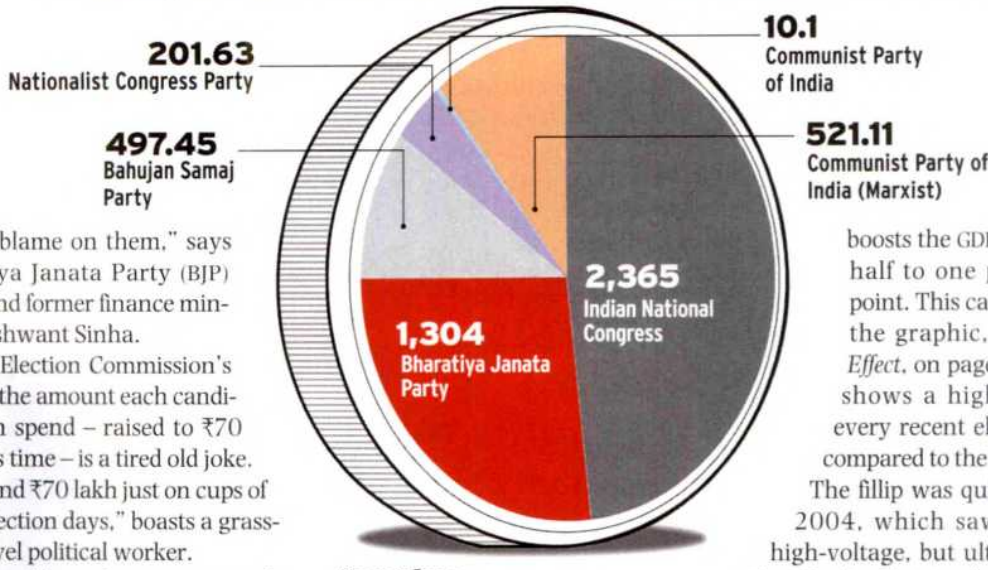
Bahujan Samaj Party (BSP)

Voluntary contributions
68.05%
Membership fee
21.31%
Bank interest
5.34%
Others
5.30%



What Their Books Show

The officially-declared income of the six national parties between 2004/05 and 2011/12



Figures in ₹ crore
Source: Association for Democratic Reforms

putting blame on them," says Bharatiya Janata Party (BJP) leader and former finance minister Yashwant Sinha.

The Election Commission's limit on the amount each candidate can spend – raised to ₹70 lakh this time – is a tired old joke. "We spend ₹70 lakh just on cups of tea in election days," boasts a grassroots-level political worker.

Sampath's predecessor as CEC, S. Y. Quraishi, says each candidate spent ₹5 crore to ₹10 crore in the last Lok Sabha elections, when the limit was ₹40 lakh, though he qualifies his observation by saying that this is what he hears in private conversations with politicians, there is no actionable evidence of it.

Actionable or not, BJP leader Gopinath Munde, according to newspaper reports, said in a public meeting once that he spent ₹8 crore during the 2009 elections. Congress leader Chaudhary Birender Singh was quoted as saying that people were ready to shell out up to ₹100 crore to get a Rajya Sabha seat. He later said his point was misreported.

JNU's Kumar, as part of his 1998 study on election expenditure, found that some candidates had spent ₹1.29 crore each, 8.5 times the prevailing Election Commission limit of ₹15 lakh. "The figure could have only gone up since then. When it was ₹40 lakh, candidates must be spending at least 10 times that. Now, at ₹70 lakh, even more," he says.

Professor Trilochan Sastry, founder-trustee, Association of Democratic Reforms, an NGO working for electoral reforms, says that at least ₹2,50,000 crore is spent in a five-year election cycle, out of which almost 80 per cent is black money. Observers say that ₹50,000 crore of black money will be spent in this Lok Sabha election. Factoring in the ripple effect of this money, which otherwise would have remained unused, and untaxed, experts say the use of black money in elections boosts the GDP growth by half to one percentage point. This can be seen in the graphic, *The Ripple Effect*, on page 48, which shows a higher GDP in every recent election year compared to the year before. The fillip was quite sharp in 2004, which saw the BJP's high-voltage, but ultimately futile, "India Shining" campaign. The exception was 2009, the year that reeled under a global financial crisis.

Rajeev Gowda, Professor, Centre for Public Policy at the Indian Institute of Bangalore, says some people join politics for its wealth-generating potential. "Such candidates may have already amassed wealth in the form of black money and they invest it in politics. Political parties often seek candidates who can finance their own campaigns. Such candidates often have black money generated through industries like mining, real estate, etc, where government regulations are thwarted regularly. Getting elected makes siphoning-off of public resources even easier."

But to get elected, they have to rely on people like Maalik bhai.

Nationalist Congress Party (NCP)

Sale of coupons
88.96%
Donations
7.74%
Membership , subscription and candidature
1.31%
Others
1.99%

Communist Party of India (CPI)

Party fund, education fund, donation
52.50%
Interest received
20.74%
Membership fee
13.73%
Others
13.03%

Communist Party of India (Marxist) CPI(M)

Voluntary contributions
43.74%
Levy
38.12%
Election fund
9.28%
Others
8.86%

% indicates share of source in total income

Source: Association for Democratic Reforms

Research by Niti Kiran and Jyotindra Dubey

Ruling the grassroots

"Political parties do not really have dedicated workers or cadres and have to rely on mercenaries," says N. Gopalaswami, who was the Chief Election Commissioner from 2006 to 2009. According to estimates, 35 to 40 per cent of a party's expenses are on supporting this workforce for 40 to 50 days.

The bigger the amount, the better the chances of a win. There has always been direct bribing of the voter through cash, gifts, and writing off of debts at grocery stores

Maalik Bhai's support, from panchayat to Lok Sabha polls, is available like any other professional service. He does not go to the highest bidder, but to the one who comes to him first. There is a price for his services, which is not negotiable and varies according to the nature of the election, intensity of the contest, and the number of votes the candidate wants to secure. It can be anywhere between ₹50,000 and ₹1.5 lakh, at times with goodies like a motorcycle or a hand pump thrown in.

Such is the demand for Maalik Bhai's services that a Lok Sabha contestant himself approached him this time. "*Itna bada aadmi khud se phone kiya, saath jurdney ko bola... abhi to help karengee hee na* (such a big man called me himself, asked me to join him... I have to support him)," he says, as he takes out tobacco from a little plastic sachet and crushes it on his palm with his thumb.

Maalik Bhai begins by identifying the needs of the area. For instance, Brahman Tola in Vaishali village is spread over two square kilometres. It has 100 households, most of them inhabited by daily wage earners. Last election, 15 hand pumps were installed there. Officially, no one knows who paid for them, but they played a big role in persuading Brahman Tola to vote for a certain candidate.

Another tool in Maalik Bhai's hand is *bhoj*, or a community feast. He organises at least five of them in every panchayat he covers. The candidate may or may not attend it, but those who eat at the feast – their number runs into thousands – know who paid for it because his name is whispered into their ear as they say their goodbyes. As the concept of *namak* (salt)-based loyalty is still strong, the bill for these feasts, ₹10,000 to ₹1 lakh, depending on the numbers, is small price for the promise of so many votes.

During his tenure as CEC, Quraishi once walked into a wedding feast only to discover no bride, no groom, and no wedding; it was only a way to feed people and hopefully win their votes.

Maalik Bhai is paid directly for his support. But operational expenses, such as money for the feasts, and other daily expenses on fuel, mobile phones, meals, cups of tea, *paan* and cigarettes, comes from the local representative of the candidate and party, a person who can be trusted with a mountain of cash, often stuffed in gunny sacks.

The sacks contain mostly wads of ₹500 notes. As the polling day nears, they stop asking the purpose and simply hand over the amount sought. It is not unusual for the local representative and other workers to boast about the amount they can tap into.

The bigger the amount, the better the chances of a win. There has always been direct bribing of the voter through cash, gifts, mobile money transfer, mobile bill payments, and writing off of debts at grocery stores. N. Bhaskara Rao, founder-Chairman of New Delhi-based Centre for Media Studies, points out that at least 20 per cent voters take cash from more than one party. CMS estimates that 31 per cent of voters in Bihar in 2009 election took money to vote; this time, 55 per cent are likely to.

Those in charge of assembly areas are entrusted with handling rallies. They work through "mobilisers", who are responsible for bringing in the crowds, through inducement, cajoling, or threat. Each mobiliser gets at least ₹1,000 for each rally. The overheads include expenditure on food, mostly packets of oily *biryani*, for the crowd. Often, each member of the crowd also gets ₹100 as incentive. The team leaders among them, who shout slogans, get ₹500. Sampath says there is very little one can do when cash is delivered by couriers.

In this all-cash economy, there is only one thing that works better: liquor.

Just like cash, only better

"Liquor is worse than cash. The influence of liquor hampers the wits of a person. It has its own empire," says CEC Sampath. For him, liquor is also more difficult to track and catch.

One hears of trucks loaded with liquor leaving Delhi for Nagaland, but going no further than Uttar Pradesh. The Election Commission is working with the Excise Department in every state to conduct raids against such transporters. But the problem with liquor is that it can be brewed anywhere, in any shack. "It can be brewed locally, at many places, in almost every second village," says Sampath.

A vend owner in Delhi says the Election Commission's vigil has made it difficult to move liquor. But, if you cannot move liquor in trucks, there are always milk vans, which do not mind if the liquid inside is dark and fiery, instead of white and soothing.

Coupons are distributed in slums and other areas of high voter density. "The pink coupon gets you *murga*

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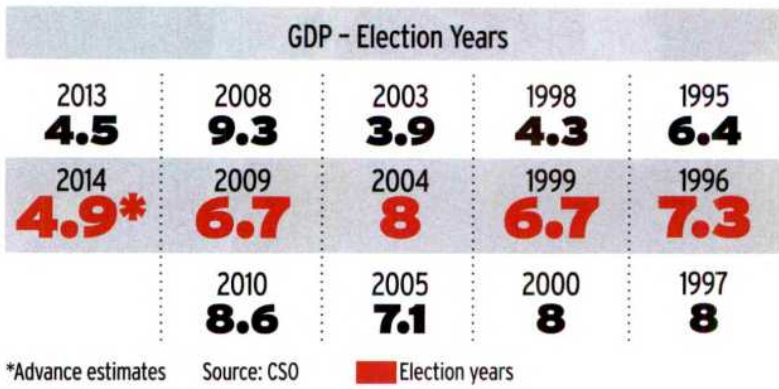
THE RIPPLE EFFECT

India's GDP has been higher in the years when Lok Sabha elections were held than in the preceding year, primarily because of the black money pumped into the system during the poll campaign. The sole exception is 2009, the year of the global downturn



(chicken, often roasted or fried), and the blue one is for liquor," says the vend owner. For areas under surveillance, middlemen distribute currency notes, whose series numbers are given to vends. The denomination of each note is a message. A ₹10 note will get you a bottle of country liquor, a ₹100 note foreign liquor, and so on. Vend owners are paid in advance by political managers.

In villages, plastic pouches full of liquor are sent in vans and distributed three to seven days before polling, right up to the evening before. Villagers from Raghwapur, also in Vaishali district, say they drink through the night before polling. The village's entire supply of drinking water comes from just two hand pumps.

In villages, plastic pouches full of liquor are sent in vans and distributed three to seven days before polling, right up to the evening before

Mobile phones, juicers, other home appliances, and sarees are also forms black money takes to influence voters.

Cash or kind, the biggest expenditure is on polling day, on voters and on political managers. Every constituency has 1,500 to 1,800 polling booths. Each booth manager is paid at least ₹2,500 and there are at least two to each booth. Some observers say that this chain of command of workers from assembly to panchayat level alone can cost ₹2.5 crore to ₹15 crore for each candidate. Given that each constituency has at least three serious contestants... you do the math.

Starting with a lie

The Election Commission monitors candidates' expenses for only about three weeks, starting once candidates are official. If an aspirant, certain of getting the ticket to contest, starts spending much earlier, there is no way to calculate his expenses.

The distinction between expenditure by a party and by a candidate is another problem area. There is no limit on how much a party spends. In addition, every party has 40 star campaigners, on whom it can spend any amount for campaigning nationally. The lines often get blurred between individual candidate's expenditure and what the party spends.

Yogendra Yadav, psephologist-turned Aam Aadmi Party leader, who is contesting from Gurgaon, says it is a legislative problem. "Once you are a star campaigner, you can take as many helicopter rides as you want. With such big holes in the system, no matter how much you tighten them, it remains meaningless."

CEC Sampath says black money easily turns into white these days as political parties need not declare details of those who give less than ₹20,000 and these donations can come in cash.

Jagdeep Chhokar, Founder-Trustee of ADR, says the expenditure affidavits of 6,753 candidates in 2009 elections, when the limit was ₹40 lakh, showed that only four had exceeded the limit. What's more, 6,719 candidates had spent less than ₹22 lakh. "Why was the limit increased? Either the demand for increasing the limit was unjustified, or the affidavits were not correct."

According to old newspaper reports, former Prime Minister Atal Bihari Vajpayee once testified to a parliamentary committee that "every legislator starts his career with the lie of false election return he files". Once again assuming at least three serious candidates in each of the 543 parliamentary constituencies, and the unending cycles of electioneering for Rajya Sabha, state assemblies and councils, municipal corporations, block and panchayat elections, that is a lot of lies. And a lot of money.

It is not bad for the economy, but is it good for democracy? You do the math. ◆

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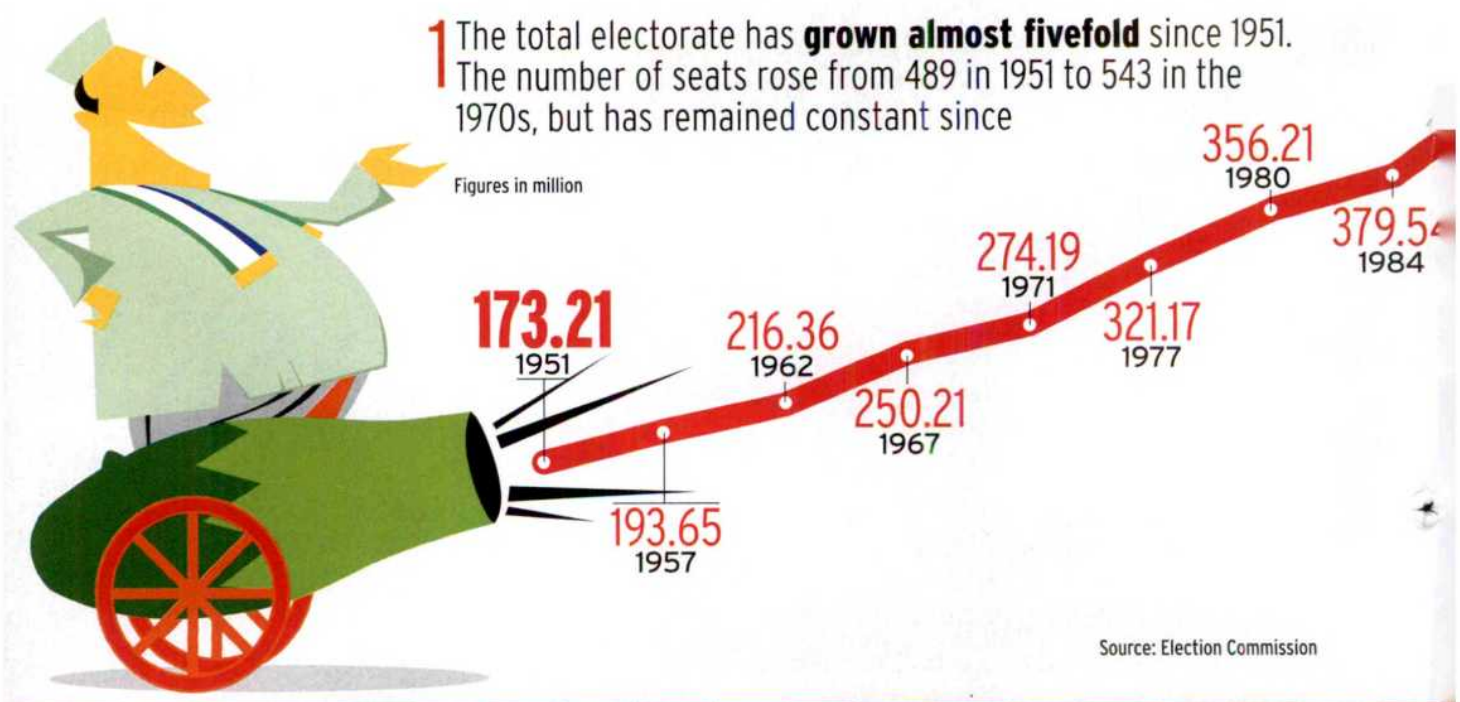
ELECTION SPECIAL

THE GREATEST SHOW ON EARTH

More people vote in India's general elections than in any other. The scale of the exercise was massive enough during the first general election in **1951 – 173.21 million voters, 1,874 candidates –** but since then has increased many times over. The 16th general election scheduled for April-May will have an electorate of **814.50 million**

Graphic by **Anand Sinha**
Research by **Niti Kiran** and **Jyotindra Dubey**



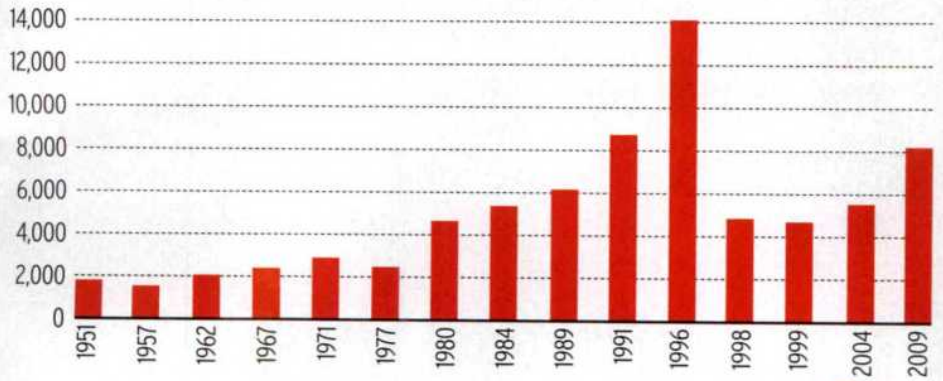
1 The total electorate has **grown almost fivefold** since 1951. The number of seats rose from 489 in 1951 to 543 in the 1970s, but has remained constant since

Figures in million

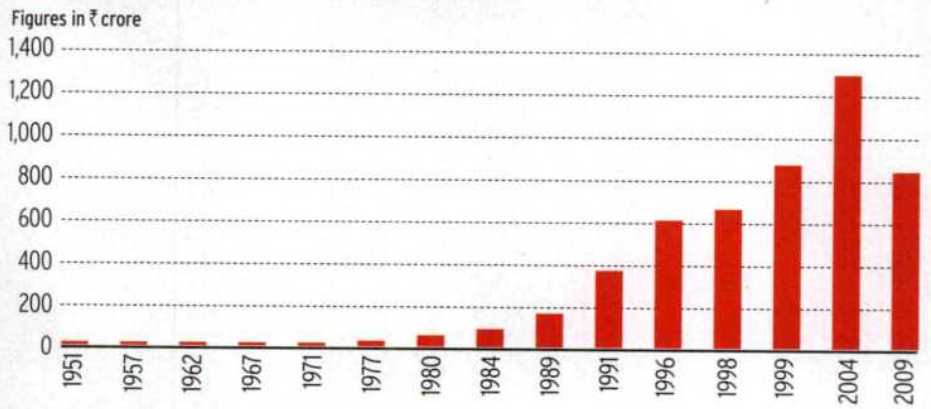
173.21 1951
193.65 1957
216.36 1962
250.21 1967
274.19 1971
321.17 1977
356.21 1980
379.5 1984

Source: Election Commission

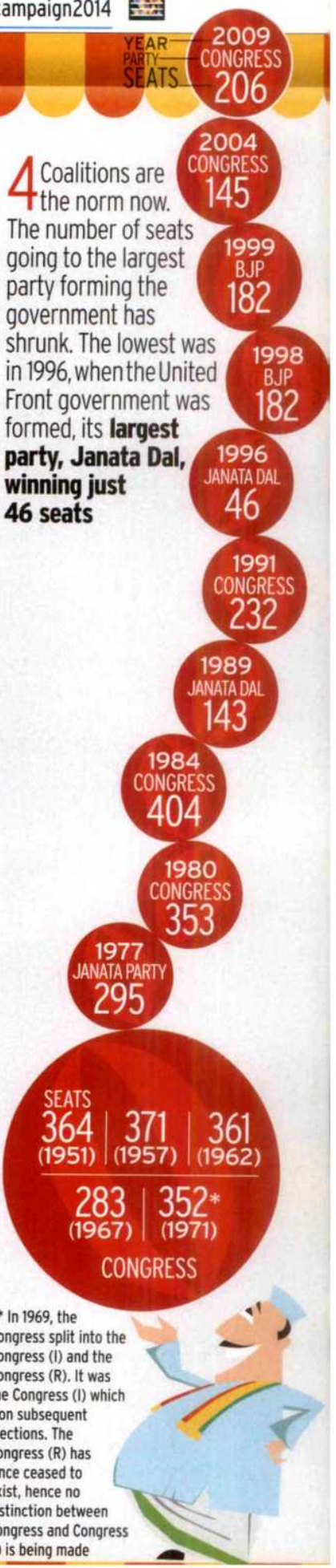
2 The number of candidates has also increased dramatically. **The peak, 13,952 candidates, was touched in the 1996 general election**



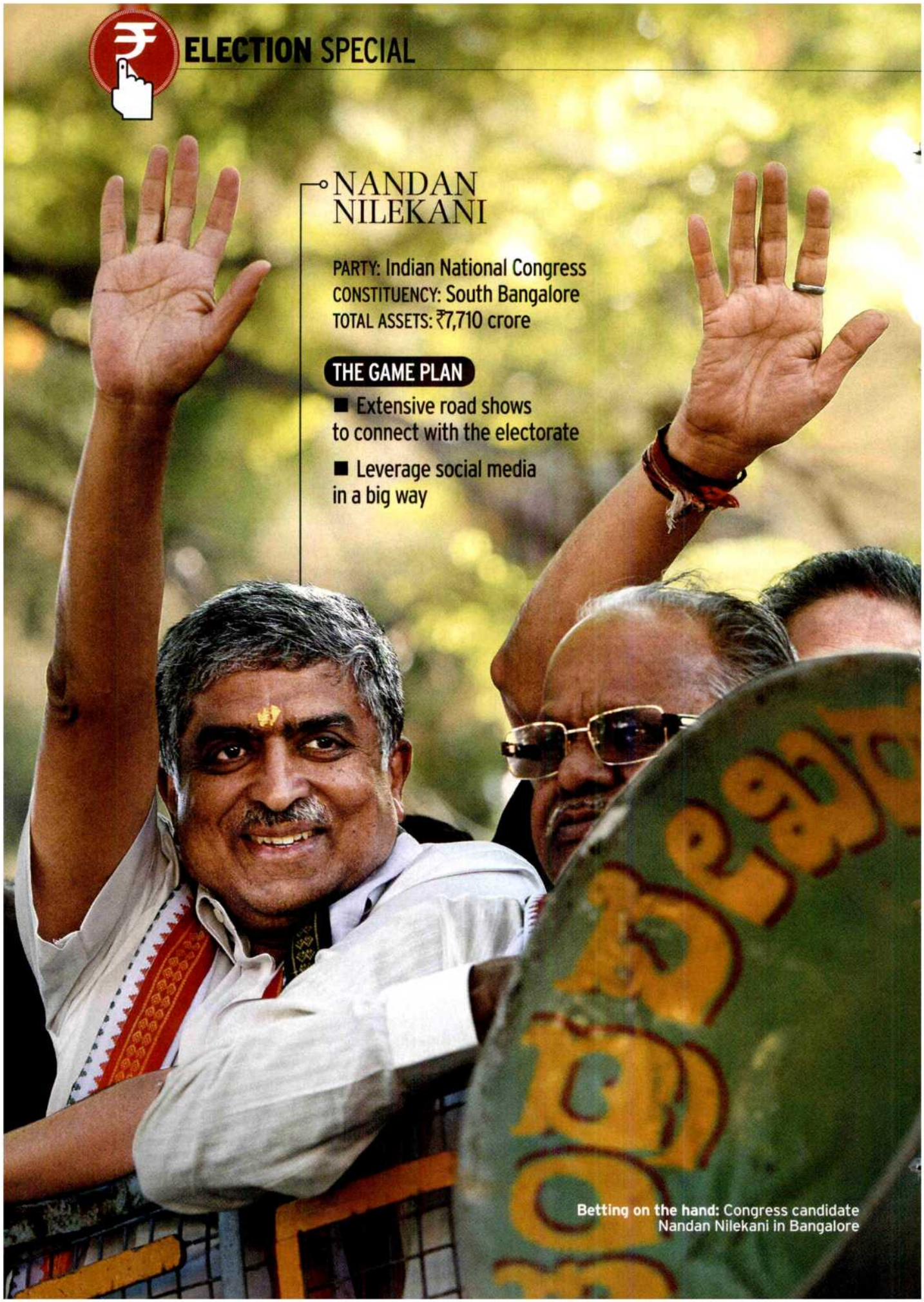
3 The **expenditure** incurred in **conducting Lok Sabha elections has also bloated**



4 Coalitions are the norm now. The number of seats going to the largest party forming the government has shrunk. The lowest was in 1996, when the United Front government was formed, its **largest party, Janata Dal, winning just 46 seats**



* In 1969, the Congress split into the Congress (I) and the Congress (R). It was the Congress (I) which won subsequent elections. The Congress (R) has since ceased to exist, hence no distinction between Congress and Congress (I) is being made



NANDAN NILEKANI

PARTY: Indian National Congress
CONSTITUENCY: South Bangalore
TOTAL ASSETS: ₹7,710 crore

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Five corporate bigwigs who have entered electoral politics unveil well-crafted, high-voltage campaigns.

By SHWETA PUNJ, SUPROTIP GHOSH, SARIKA MALHOTRA and E. KUMAR SHARMA

The trials of election campaigning are evident as Nandan Nilekani, Infosys Co-founder and former chairman of Unique Identification Authority of India, settles down on a sofa looking fatigued and considerably tanned in a crisp white shirt. It is 9:30 a.m. and the calm at Nilekani's understated home does not give away the frenzy of campaigning he is in the midst of. "Campaigning is a most emotionally and physically exhausting exercise. The closest that comes to this is the road show I did for my company (in the run up to the listing of Infosys on the NASDAQ) but even there we had weekends," he says, almost hoarse from speaking relentlessly for nearly 12 to 13 hours every day.

Nilekani begins his days at the crack of dawn, either at a park walking and chatting up with fellow Bangaloreans or embarking on a *padyatra* where he walks for several kilometres introducing himself to voters. While Bangalore South is an urban constituency, there are pockets where Nilekani is still unknown.

Work on the campaign began almost six months ago even though his candidature was announced by the Congress only two months back. It is primarily being managed by professionals in their twenties, many of whom have worked with blue-chip companies such as Google and McKinsey. There are about a 1,000 volunteers driving the campaign. Technology is clearly being leveraged in a big way. Mobile applications and targeted text messages are being used to reach out to the electorate. A YouTube channel completely run by the volunteers posts videos on Nilekani, several blogs highlight the work done by him, professionals networking site LinkedIn is used to connect with professionals in the constituency and Nilekani's team uses WhatsApp for all communication. That's not all. If you visit any website related to Bangalore, you are sure to see a Nilekani ad. Constant updates on Nilekani's Facebook page – which has some 373,000 likes – and Twitter ensure a personal connect with the digital audience.

"I will vote for Congress. Nandan Nilekani is a good man," says Kumar, a 37-year-old businessman who runs a mobile phones store at JP Nagar in South Bangalore, as he looks on at Nilekani passing by in a truck. Kumar has almost always voted for the Bhartiya Janata Party's (BJP) five-time winning candidate Ananth Kumar from this constituency.

"You have to understand the voter dynamics because there is no second chance," sums up Nilekani.

MEERA SANYAL

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High-profile former banker Meera Sanyal is taking the plunge into electoral politics again, this time as an Aam Aadmi Party (AAP) candidate from Mumbai South. For her the rough and tumble of politics is not new. She had fought in 2009 from the same constituency as an independent and lost to Congress's Milind Deora.

Sanyal, former CEO and chairperson of the Royal Bank of Scotland's India operations, is using her experience in managing large teams to chalk out an election campaign that is 'lean and easy to manage'. Her core team consists of people with diverse experience, from doctors to company executives. "A diverse team consisting of talented individuals, and bound together by a common objective, can move mountains by bringing much-needed change to politics," says Sanyal with a smile.

Sanyal has her own preferred mode of reaching out to the people. She calls it 'Swaraj Baithak' – a small gathering of people to discuss the problems in the constituency. This helps her in directly interacting with the voters. She supplements this with more train and bus yatras, door-to-door campaigns along with the use of social media and traditional media. "Each medium appeals to a different part of the constituency, so we are using each channel as effectively as we can," she says.

Funding Sanyal's well-planned campaign, however, remains a problem. AAP still depends on its hard-core supporters for funds. "All these movements take their own time (to mature)," says Dr Mona Patel Shah, an ophthalmologist by profession, a key member of Sanyal's team.

But Sanyal feels confident that such problems won't prevent her from winning on May 16 – this time beating Deora.

Banker-turned-politician: AAP's Meera Sanyal in Mumbai's Shivaji Nagar slum

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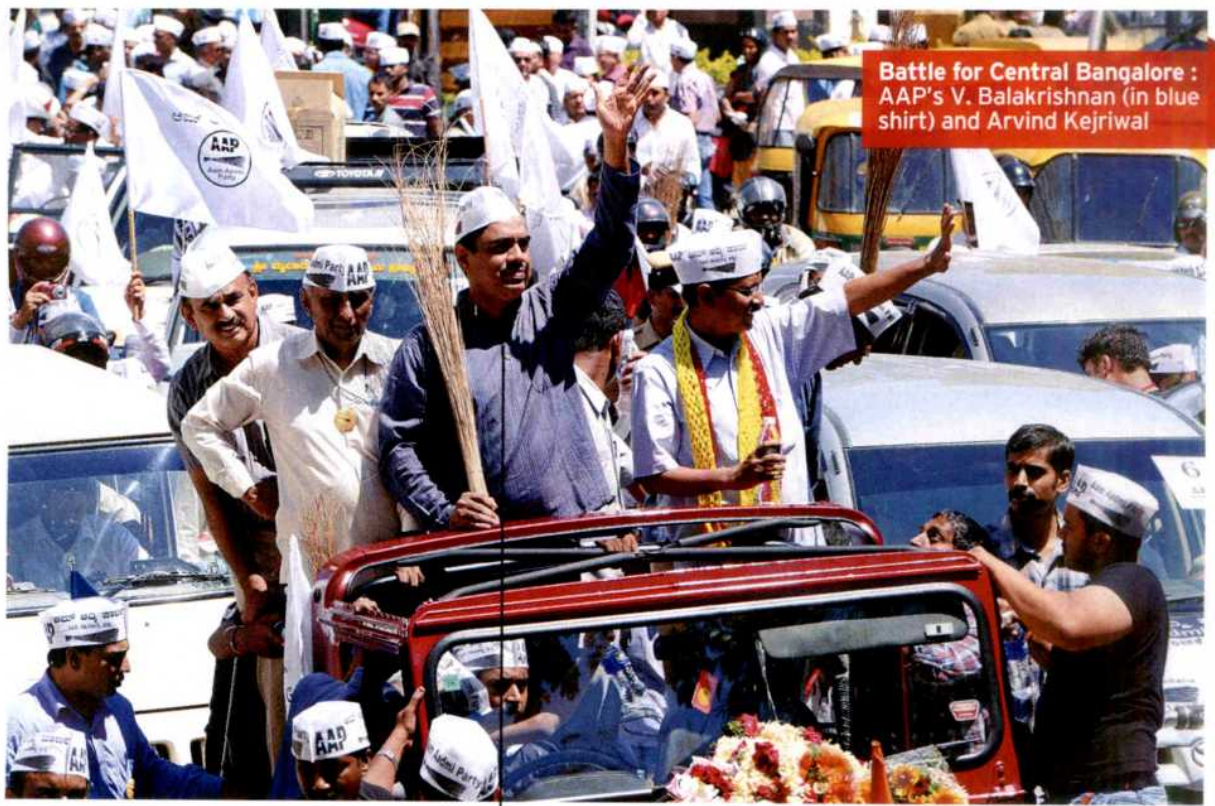


Battle for Central Bangalore : AAP's V. Balakrishnan (in blue shirt) and Arvind Kejriwal

NILOTPAL BARUAH

V.BALAKRISHNAN

PARTY: Aam Aadmi Party
CONSTITUENCY: Central Bangalore
TOTAL ASSETS: ₹180 crore

THE GAME PLAN

- Harp on the themes of corruption and change
- Reach out to voters over phone and email

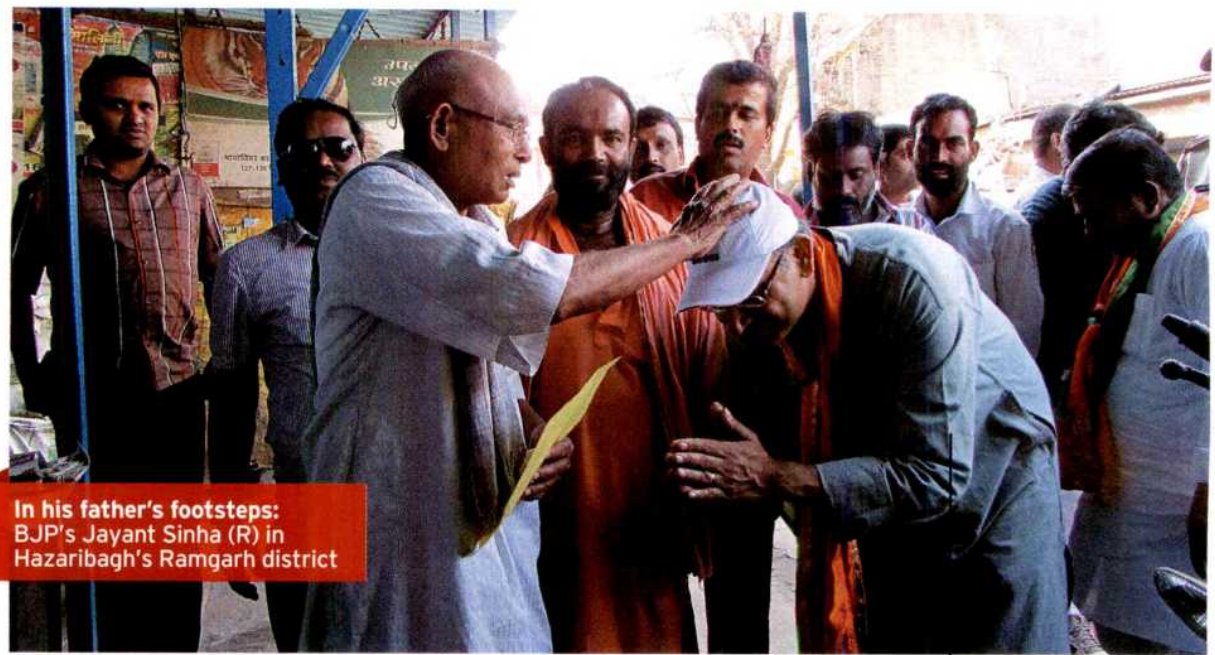
Another former Infoscion is trying his luck at the hustings, also from Bangalore. V. Balakrishnan, former chief financial officer at Infosys, is contesting from Central Bangalore on an Aam Aadmi Party (AAP) ticket. 'Bala', as he is popularly known, appears relaxed for a candidate who barely has a few weeks to influence voters. "I think 30 days are enough," he says.

Bala joined AAP on the first of January and subsequently announced it to the world on Twitter. *Business Today* met Bala when he was barely two days into campaigning and was in the process of putting his team together. Armed with over 40,000 party volunteers, Bala began his day at 7:30 a.m. by going on a bus ride to Whitefield, the hub for all IT offices in Bangalore. His campaign manager, a former army officer, Major Aditi Mohan, 39, with a decade of experience in managing logistics, has it all planned – from using social media effectively to chalking out his padyatras.

The party has a full database of the electorate with email ids and phone numbers which is being used for micro messaging (messages are sent on the basis of issues relevant to a particular voter base). Meanwhile, Bala is using WhatsApp to send out personal messages to his constituents. You cannot do without a digital plan if you are contesting from Bangalore. Volunteers are managing the website *aapkabala.com* and ensuring presence on YouTube through advertisements and websites focused on Bangalore.

Bala's messaging is centred around corruption, change and swaraj (self-rule). "You don't need more ideas, you need implementable solutions. Honest governance is missing," says the reluctant politician. In fact, Bala only thought about getting into politics after he saw AAP take shape. It took him time to convince his wife and family because "in middle-class families politics is not the right cause," he says as he gets ready to address a group of women at the city town hall.

JAYANT SINHA ▶



In his father's footsteps: BJP's Jayant Sinha (R) in Hazaribagh's Ramgarh district

SARIKA MALHOTRA

JAYANT SINHA

PARTY: BJP
CONSTITUENCY: Hazaribagh
TOTAL ASSETS: ₹55 crore

He is the latest entrant from the corporate world into politics. Jayant Sinha, elder son of former finance minister Yashwant Sinha, is fighting from his father's rural constituency Hazaribagh on a BJP ticket. Jayant has impressive credentials – he is an MBA from the Harvard Business School and a B.Tech in Chemical Engineering from the Indian Institute of Technology, Delhi. "When you lead organisations or people, it comes down to three things: character, trust and inspirational purpose, and this was taught extensively at Harvard," he says.

Yashwant asserts that Jayant is not a beginner in politics. Jayant was the campaign manager for his father in the 2009 election, and in 2014 Yashwant himself is handling his son's campaign. "Jayant is not totally unfamiliar with the constituency, people and politics, and has picked up very fast," he says.

Jayant was Managing Director and Partner at investment firm Omidyar Network in his last corporate stint that ended in February. "He will be able to bring a fresh look. People who have been in politics for a long time are not able to bring any fresh thinking, any systemic improvement," says Yashwant.

THE GAME PLAN

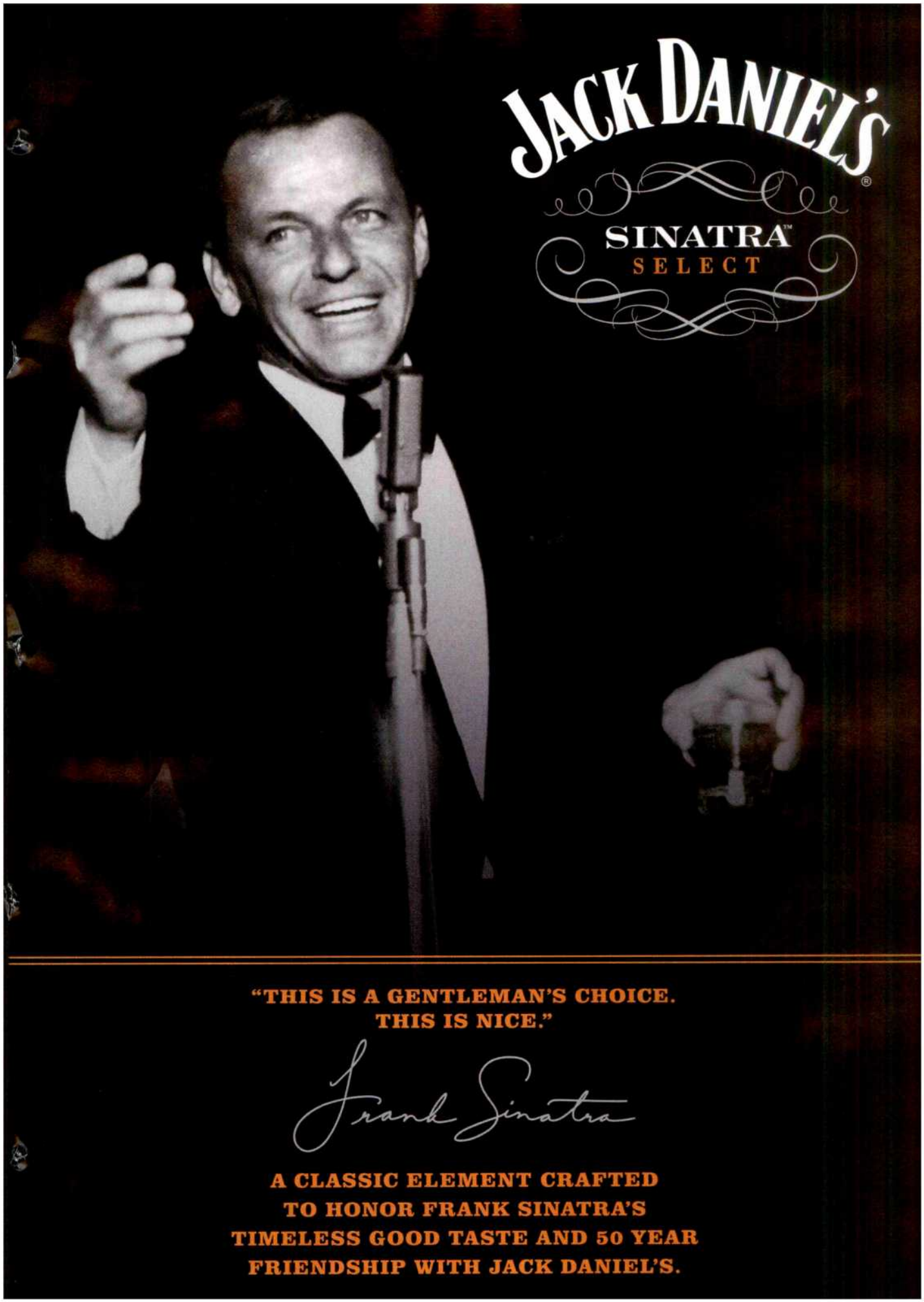
- **Do weekly surveys of voters to finetune electoral strategy**
- **Harness street theatre and social media in a big way**

Jayant's team consists of a group of financial and sales professionals who volunteered to be a part of the campaign. Also on board are 10 highly motivated youngsters from nearby villages, a full-time accountant and a Hindi writer. A call centre has been set up for feedback from supporters. The team does weekly surveys and random sampling of booths – on issues and voting behaviour – to chalk out strategies. Street theatre, targeted text messages and social media are being used in a big way in the campaign.

But BJP workers and the people in the constituency are missing Yashwant. "*Sir ki baat hee alag hai* (Yashwant was in a different league). His style of talking is very impressive," says Rishikesh Singh, 43, a BJP worker in the Ramgarh district of the Hazaribagh constituency. Singh's views were echoed by several others in the constituency to *Business Today*.

Jayant admits he needs to improve his public speaking skills. Having spent nearly 20 years in the US, he has communicated throughout his professional life entirely in English "The challenge is to become an effective communicator in Hindi." With 10-hour-long road shows daily, he is making his connect with the electorate. "I am enjoying every bit of it," says Jayant.

JAYADEV GALLA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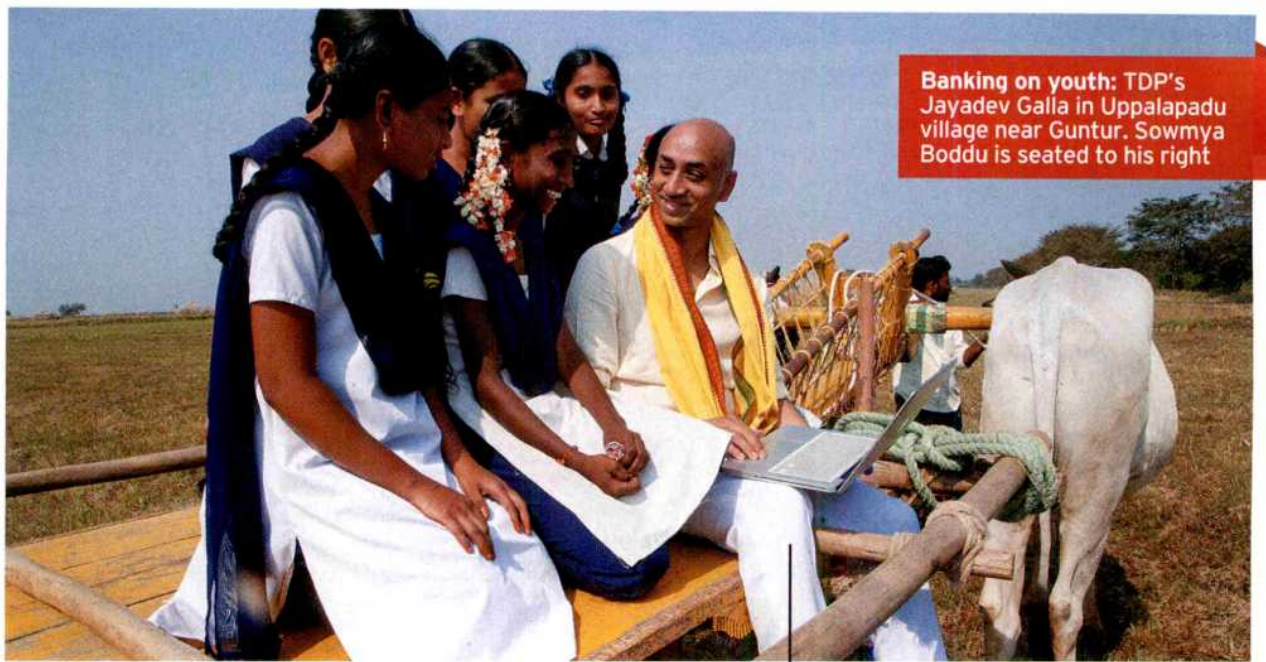

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Banking on youth: TDP's Jayadev Galla in Uppalapadu village near Guntur. Sowmya Boddu is seated to his right

JAYADEV GALLA

PARTY: TDP
CONSTITUENCY: Guntur
TOTAL ASSETS: ₹580 crore

THE GAME PLAN

- Highlight the specific plans for the constituency in his manifesto
- Leverage his family's links with the region

Uppalapadu, a quite village near Guntur city in Andhra Pradesh, had an unusual visitor on a recent hot March morning as Sowmya Boddu, 14, and her friends at the local Zilla Parishad school soon found out. A leader aspiring to enter the Parliament from this region had come calling. "Thrilling," is how a beaming Boddu described to *Business Today* the brief meeting that she and her friends had with Jayadev Galla, Vice Chairman and Managing Director of Amara Raja Batteries, contesting the Lok Sabha elections from Guntur as a Telugu Desam Party candidate.

This ninth-grade student has never seen the head honcho of any company and never ever met anybody who could some day perhaps become a Member of Parliament. The meeting was an equally new experience for Galla, making his foray into politics. Galla's mother, Galla Aruna Kumari, has been a former state minister but "... this is the first time that I am participating as a candidate and that too for a parliamentary seat," says Galla.

Galla believes his learnings in the corporate world will stand him in good stead in politics as well. "We are in public service here but at one level a voter is no different from a customer. You need to know him or her well enough to deliver customised solutions for the target groups," he says. His core research team of 12 people has conducted surveys of the region and mapped the 14 lakh electorate.

Galla has drawn up a manifesto for Guntur, including specific plans for each of the seven assembly segments falling within it. Clearly, his team seems to have done its homework well. He may not be aware that Boddu aspires to become a doctor but his manifesto does point out that female literacy rate in Guntur district is about 60 per cent and only 30.3 per cent of the women are working. "Improving the conditions of the schools and providing skills training will contribute to the overall upliftment of women and the girl child," it says.

On the ground, Galla is hoping to leverage his family's links with the region. His father-in-law is Krishna, one of Telugu cinema's top heroes of yesteryears. Krishna's son and Galla's brother-in-law, Mahesh Babu, is today one of the biggest stars of the Telugu cinema industry.

But Galla has also been in the news recently for the wrong reasons. A Central Bureau of Investigation court has ordered a probe against Galla, his mother and wife for alleged encroachment of prime government land in Hyderabad. Galla though dismisses the case as politically motivated. ◆

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REBOOT the Economy

The new government that will be sworn in after the elections should repeal populist laws and jumpstart the stagnant economy, say panellists at *Business Today*'s election debate

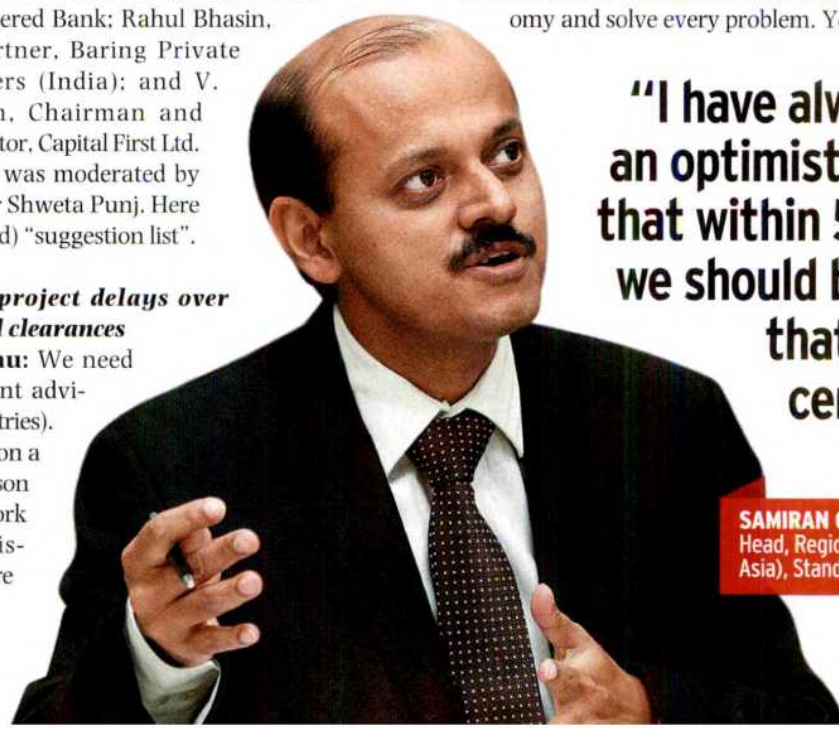
The election season is on. Soon, the current government will make way for a new one and changes in the political landscape will trickle down to changes in policies related to health care, education, energy, water, external affairs and, most importantly, the economy. Given that our economy is at a crossroads, *Business Today* brought together five fine minds in Indian business to discuss what the top priorities of the new administration should be: former Union power and environment minister Suresh P. Prabhu; Surjit S. Bhalla, Chairman, Oxus Investments; Samiran Chakraborty, Head of Regional Research (South Asia), Standard Chartered Bank; Rahul Bhasin, Managing Partner, Baring Private Equity Partners (India); and V. Vaidyanathan, Chairman and Managing Director, Capital First Ltd. The discussion was moderated by Associate Editor Shweta Punj. Here goes their (edited) "suggestion list".

On avoiding project delays over environmental clearances

Suresh Prabhu: We need an 'environment advisor' (in all ministries). While working on a project, this person will actually work with the ministries to make sure that all the concerns of the environment ministry are properly addressed. There is no need to wait till the end of the day to find out that the project I have prepared cannot be implemented because of environmental concerns. What is important is how you adhere to environmental laws without causing delays.

On reviving investments

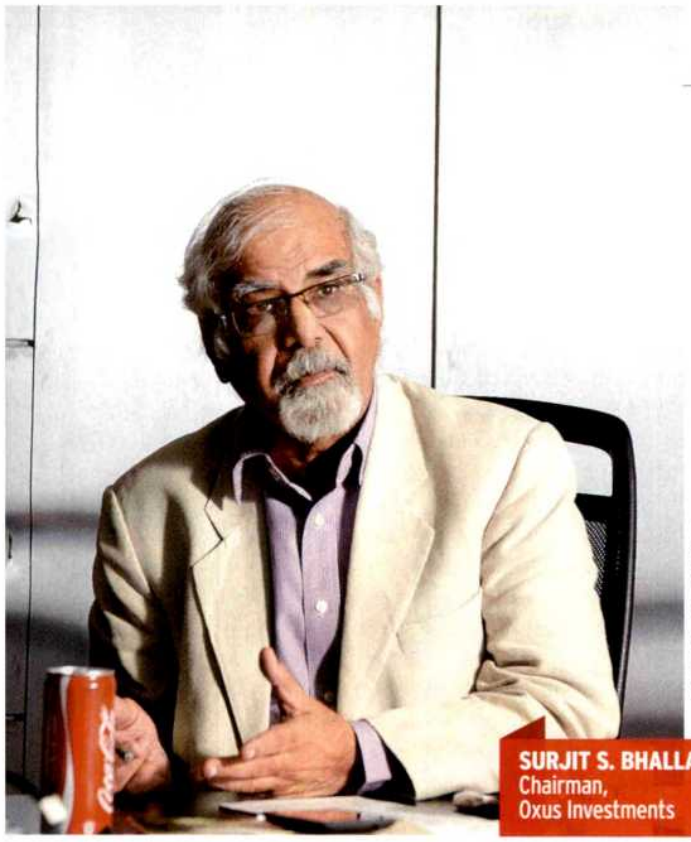
Rahul Bhasin: The level of choking of the private sector is frightening. We need to look at the entire governance framework. The big issue in this country is that the role of government is not clear to the government itself. The mindset is that I want to control every piece of the economy and solve every problem. You see symptoms of



"I have always been an optimist. I believe that within 5-7 years, we should be back in that 9-10 per cent growth range"

SAMIRAN CHAKRABORTY
Head, Regional Research (South Asia), Standard Chartered Bank

NISHIKANT GAMRE



SHEKHAR GHOSH

SURJIT S. BHALLA
Chairman,
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"The reason you want the rupee to strengthen is because now it is a sign of confidence for policymakers, investors..."

that in the form of a very hostile tax administration and unpredictable retrospective taxation. The government machinery has bloated to a size and scale which is unviable. If you look at all the rights we have incorporated, to meet them and to meet those kinds of service levels, you need a per capita income of $15,000 to $20,000. But our per capita income is less than a tenth of what we are entitled to. You must create an enabling environment so that people can generate income. Only then will people be smart enough to understand how to buy food and health care. And if you don't overspend, you will not have this hostile or extractive tax administration.

V. Vaidyanathan: Four-to-five years ago, our annual borrowing was ₹1.7 lakh crore. Now, it is above ₹5.5 lakh crore. We often mislead ourselves by expressing this as a percentage of our gross domestic product (GDP). It is true that 70 per cent of our expenses are fixed. What is also true is that the government has crowded out the private sector. If we have to deal with this problem in a sequential way, we will take a long time solving it. Two things can break this cycle – leave more money in the hands of consumers, and (the Reserve Bank of India, or RBI, should) take a leap of faith and cut interest rates today. So, if the new government makes a specific resolve, that I am not going to increase the borrowing from ₹5.5 lakh crore to the next 6 and 6.5...I am going to hold it here and trust me here... I will walk the path and you also move your bit of reducing interest rates and if they work a little in tandem then you can bring down interest rates and people will have some money in their pockets. The big thing which is hurting the process today is that the interest rates have gone up... Home loan equated monthly instalments (EMIs) have gone up from, say, eight per cent to 10 per cent or 11 per cent. That is hitting everybody's pocket.

Second, tax rates. On the face of it we might say that there is no scope for reducing taxes. Because, the fiscal deficit is already constricted. I am definitely of the school of thought that if you reduce taxes...even the 30 per cent if you bring it down to 28 per cent...bring it down to 26 per cent and bring it down to 20 per cent... I would boldly go and say that we can bring it down to 20 per cent over five years... There is a significant section of the self-employed who do not pay their taxes but are constantly concerned about it. So, some compliance will go up. We have to believe that people will pay more taxes at more progressive rates and so on.

On fuel pricing and opening up mining to private investment

Prabhu: Privately, people will say something and publicly, they will say something completely different. For example, I was in Parliament on drafting of the Women's Reservation Bill. People were supporting the bill but nobody wanted the bill to be passed. It is an unfortunate reality. Do not go by what the Opposition does but go by what the government does. But, if the government itself becomes populist, then the rest of the crowd follows, then that's a problem.

Regarding coal monopoly, nobody doubts that the objective is how to produce more coal, how to make sure that coal production is more efficient. I have a suggestion. Instead of nationalising or de-nationalising the issue, why can't we ensure that we produce and mine more, without changing the ownership? We came up with the idea of franchisees, which has worked quite well.

About bringing market-driven prices for fuel, we should look at the energy security issue in a broader context. We really need to find out ways of becoming more energy secure. We need to diversify the overall energy basket to make sure that we bring in more domestically produced energy into the system.

Vaidyanathan: You might say that why is the country spending so much on Air India, losing ₹5,000 crore a year, and why are we not breaking the monopoly of Coal India? The government should get to it in right earnest if it has the strength in Parliament, and if it has the guts to

go for it. That should be the No.1 agenda. If it does not have the political capital to do that, then there are certain areas in which it can get involved in a non-controversial manner, but it needs to do it very quickly. For example, we have been talking about the Direct Taxes Code (DTC) for maybe five years now. According to me, the whole 1,000-page income tax document can be reduced to 100 pages literally by abolishing all exemptions. The first step towards business friendliness in India was in 1991. For the next round of the abolition of Licence Raj, we don't need too much of political capital for that. Let's get to the easy ones first and then, of course, move on to bigger items such as privatisation.

On easy solutions for the next government

Samiran Chakraborty: Whoever is going to come to power is unlikely to have a super majority to pass legislative reforms. We have to bank more on executive decisions to get things done. One thing that can be done is to see that whatever has been done through the Cabinet Committee on Investment (CCI) and others in the last 12 months, how can it culminate into fresh investments. What I am hinting at is that while some 300 projects have been cleared by the CCI, we have not seen even a single one coming on board. What is the missing element? It's thought to be the state regulations which are not allowing it to happen.

"An 'environment advisor' will work with the ministries to ensure the environment ministry's concerns are addressed"

SURESH P. PRABHU
Former Union minister

NISHIKANT GAMRE

According to my estimates, almost ₹3 trillion worth of projects are supposed to get completed in 2014 itself and 65 per cent of them are already finished. That's a lot of capital investment, which is probably not coming on board because of some last-mile issues. Solving these issues is important because there are three factors due to which investment recovery today is getting deferred: high corporate leverage, banking sector non-performing assets (NPAs) and low capacity utilisation rates. You have to address these three things through some kind of policies because it will take an enormous amount of time for the economic cycle to address them. A lot of policy focus should be on getting these projects approved, to get their cash flows running so that the leverage comes down. And if you start doing that, we start seeing an asset market recovery, which helps companies to de-leverage them and the process becomes somewhat self-fulfilling.

Most longer-term issues that we are discussing will lead us to nine-to-10 per cent growth at some point in future. I have always been an optimist. I believe that within five-to-seven years, we should be back in that growth range. In the near term, to get to that level, we would require a lot of ease of doing business.

On good governance and populism

Surjit S. Bhalla: The quick policies that the government can do in order to change the landscape of India is to undo everything that the current government has done in the last 10 years. It should repeal the Land Acquisition Act and have a new law; it should repeal the labour laws and have a new law. If you want the bottom half to benefit, then make policies that directly benefit them.

There are seven billion people in the world. Six billion are outside of India. What is so special and unique about us (Indians)? Why can't we learn from what is done elsewhere in the world? You think people don't have poverty, you think people don't have environmental problems? Why is it that we have to reinvent everything? We are not special.

Vaidyanathan: Politics in the name of poor is the worst politics to do.

Bhalla: In Pakistan, they have a Benazir Income Support Programme (and) cash transfers of a much larger scale... They (Pakistan) have it there since 2008. They have a whole-scale programme of scholarships to the needy.

RAHUL BHASIN
Managing Partner, Baring Private Equity Partners (India)

SHEKHAR GHOSH

"... The role of government is not clear to the government itself. The mindset is that I want to control every piece of the economy and solve every problem"

Vaidyanathan: If you talk about Pakistan, they will discredit the idea. Let's not walk that path.

Bhalla: Let them discredit the idea. Unless you shame them, nothing changes in this country.

Whatever facilitates growth and transparency in growth is good governance. All you want is to facilitate private enterprise. Remember, the government's major purpose of collecting taxes is redistribution. It's not something only we are doing. The difference in different countries is how effective they are in redistributing. We are terribly ineffective. And the reason we are terribly ineffective is because we are massively corrupt.

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On determining interest rates

Chakraborty: We are probably going to see relatively softer interest rates this year because of lower inflation. The bigger issue is that if we get a lot of these supply-side factors sorted out, then automatically the medium-term inflation dynamics will look much benign. The fact that in the last three years we have sidestepped most of these issues and got into a mess on the supply side means that even with a very moderate level of demand, we have significantly higher level of inflation.

We can have executive decisions to make the supply side a lot better. Also, there is a significant amount of 'easy kills' in agriculture/food areas to get food inflation down, starting from lower minimum support price (MSP) to better distribution to more storage creation. If you can address this whole space over a six-to-12-month period, food inflation will automatically come down. Today, we can't believe if somebody tells us that food inflation can be five per cent because it has been more than 10 per cent for the past three years. That belief needs to come back, that we can control food inflation below five per cent, otherwise we will never get to the four per cent inflation target that the RBI has in mind.

To summarise, the interest rate trajectory, as much as it is a function of what monetary policy framework the RBI decides, is also a function of what kinds of executive decision making happens in Delhi.

AGENDA 2014

- Expedite environmental clearances
- Nix the rights-based economic model
- Repeal the land acquisition act
- Move to cash transfers
- Pare interest rates
- Let the rupee find its own level
- Diversify India's energy basket
- Solve last-mile issues for big projects

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V. VAIDYANATHAN
Chairman and MD,
Capital First Ltd

On whether the RBI should stop interfering in currency markets

Vaidyanathan: There are no questions about it.

Bhalla: You should only intervene in the currency market from (a position of) strength. Never interfere from weakness. Therefore, when the rupee is depreciating because you have high inflation and low growth, you let it depreciate. Right now we are in a stage where we need an appreciating rupee. At 53 to 54 [to a dollar], one should start intervening. But that's intervening from strength. When people want to buy the rupee, that's when you buy dollars and prevent the rupee from appreciating. The fair value of the rupee is around 57. The reason you want the rupee to strengthen is because now it is a sign of confidence for policymakers, investors and individuals. There's lot of gain that can be made from the rupee. Let's get a little bit of benefit from the strengthening rupee and then we can intervene.

On strengths that the new government will inherit

Bhalla: First of all, we are not an undertaxed country. The tax-to-GDP ratio in this country is 18 per cent. Basically our budget is as follows: 18 per cent is the total tax revenues, two per cent is the total non-tax revenues and our expenditure is 30 per cent. This is where you get the fiscal deficit of eight per cent (of GDP). The strength is that we are overtaxed. But there is a problem on the expenditure side. We spend ₹10 to transfer ₹1 to the poor. So if we are transferring ₹1 rupee to the poor, the other ₹9 is going somewhere else. It is not disappearing in thin air. The good news is that inflation is already coming down. The rate of inflation has come down to around five-to-six per cent. ◆

ADDITIONAL INPUTS BY
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REKHA DEVI

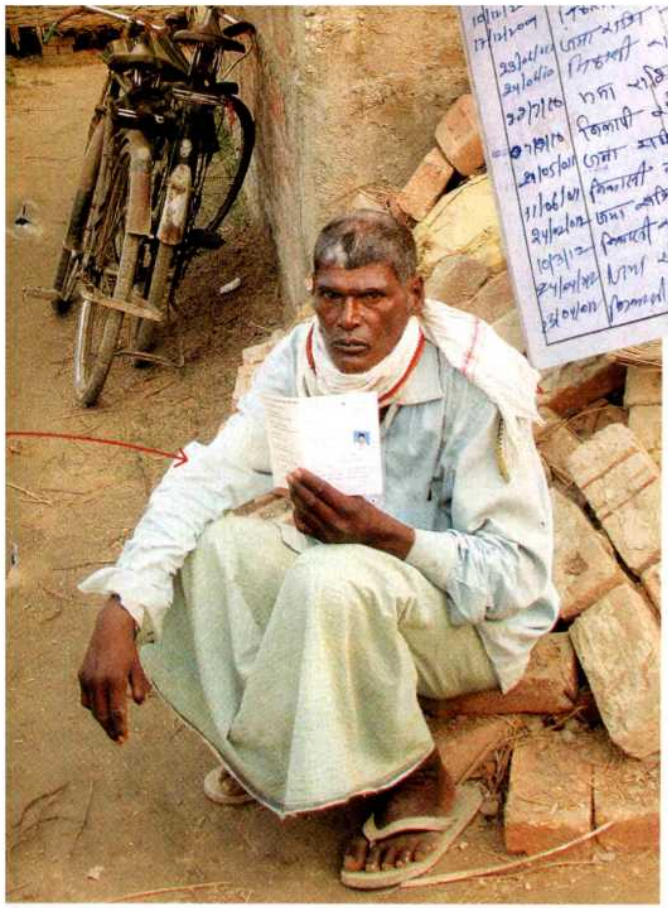
A resident of Bihar's Mahant Maniyari village, Devi found an MNREGA job card and post office account had existed in her name since 2008 though she was unaware of it

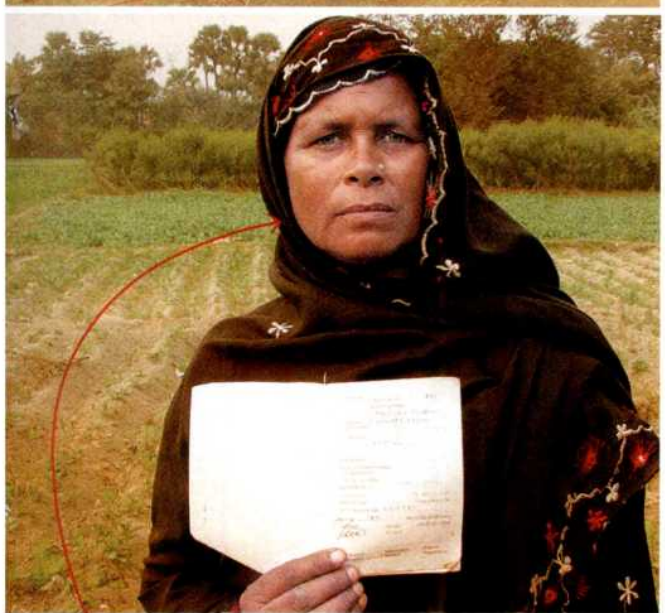
"I first thought it was some other Rekha Devi with the same address but even my husband's name was correct"

SURENDRA SHAH

This resident of Bihar's Amrakh village worked on a road project for 40 days in 2010, after which his passbook was taken away by the village *munshi*. He got the passbook back in 2013. The passbook (inset) shows money was credited into and debited from his account even when he was not using it

"I argued with the *munshi* and got the passbook back. I never got any money for the MNREGA work"





PHOTOGRAPHS BY SARIKA MALHOTRA

HADISHA KHATUN

The resident of Mahant Maniyari village never worked on a MNREGA project. She says her passbook and job card were kept by the village *mukhiya's* men until recently. The passbook shows a deposit of ₹1,400 on Sept 2, 2011, and withdrawal of the same amount a fortnight later

"The account is in my name, so I should get the money"

INVESTIGATION MNREGA

LABOUR In Vain

MNREGA was a colossal welfare programme that helped the Congress-led UPA retain power in 2009. But it has been marred by large-scale corruption. With another general election ahead, *Sarika Malhotra* travels to two of India's poorest states – Bihar and Jharkhand – for an update on how it is being implemented

Rekha Devi, a native of Mahant Maniyari village in Bihar, opened an account with the local post office in 2008. That was when she enrolled for work in a livelihood programme of the central government. Over the years, she worked as a manual labourer on various projects as part of the programme launched under the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA). Her wages were credited directly into her post office account. The money was withdrawn as and when required. Everything went fine. There was one problem, though. She didn't know about the account. Confused? So was she when she found out about the account a few months ago.

Devi, 35, was told about the account by social activist Sanjay Sahni, who trawled through the MNREGA

website to find out details of works undertaken in Ratnauli and Mahant Maniyari villages, in Muzaffarpur district. "I was not aware of any such account, nor had I seen its passbook," she says. When she approached the post office to find out about the account and withdrawal of money the MNREGA website showed she had apparently received, she got no response. "I do not know who opened the account in my name," says Devi, who actually opened an account only in May 2012 when she began working on an MNREGA project to support her three children and a husband who suffers from a mental disorder. "I thought it was some other Rekha Devi with the same address but even my husband's name was the same."

MNREGA is the showpiece welfare legislation of the Congress party-led United Progressive Alliance (UPA) government. The programme that promises to provide 100 days of manual work per year to all rural households was launched with much fanfare in February 2006. The scheme was an important factor that helped the UPA to retain power in 2009. But it was marred by rampant leakages of funds and large-scale corruption. As wages were distributed in cash based on manual entries made in muster rolls, or attendance sheets, it was easy for anyone who could exploit the system – be it the village headmen, local administration officials, contractors or middlemen – to siphon off money, with each person in the implementation chain getting a fixed percentage in the spoils. In 2008, the government decided to transfer wages directly into the bank or post office accounts of beneficiaries. Has it helped? Not much, says Sahni.

CRITICISED BY CAG

The Comptroller and Auditor General found glaring inefficiencies in MNREGA after an audit in 3,848 panchayats

Projects totalling ₹1,26,961 crore were approved in 14 states and one union territory, but only 30 per cent were completed

In 12 states and one union territory, material costs exceeded the prescribed ratio of 40 per cent by ₹1,594.37 crore

The total cost of projects undertaken which were not permissible under the MNREGA scheme totalled ₹2,252.43 crore

Projects amounting to ₹4,070.76 crore were incomplete even after one to five years of their launch

Expenditure on works amounting to ₹6,547.35 crore did not result in creation of any durable assets

Sahni says that in 2011 he checked the muster rolls of Ratnauli and Mahant Maniyari villages. Nearly a quarter of the people listed in the rolls were unaware that bank or post office accounts existed in their name and that money had been deposited and withdrawn from these accounts. A majority 60 per cent of those listed had never even worked in any MNREGA project. Little has changed since then. In neighbouring Vaishali district, villagers and activists claim at least 12 to 15 per cent people are unaware that accounts exist in their name. "Account opening is in the hands of the post master. Connivance with village administration to open accounts is common. Since most people are illiterate, only thumb impressions are needed to open and access the accounts. These impressions can be of anyone as no one ever checks them," says Sahni.

Across Bihar – and most likely in several other states as well – a similar story is playing out. In Bihar's Muzaffarpur and Vaishali districts, *Business Today* found that most job cards and account passbooks are kept by the village strongmen. Discrepancies in deposits and withdrawals are evident even in cases where the beneficiaries have their own cards and passbooks. One such case is that of Madina Begum, a resident of Mahant Maniyari village. The 50-year-old can't read or write but accesses her own account. Her passbook shows a deposit of ₹11,400 for a plantation work, but she says she got only ₹10,000 from the post office. The passbook also shows deposit and withdrawal of ₹5,016 and ₹6,344, but she wasn't aware of these transactions. "I do not know about these entries. But I do know how many days I worked and how much I earned on each project," she says.

BT also found that many MNREGA projects exist only on paper. In many cases, money had been spent with barely any productive assets to show for. In several cases labourers worked for 10 to 15 days but wages in their names were raised for 40 to 60 days. The additional money likely disappeared into the hands of village and block administration officials.

In Bhojpur district's Agarsanda panchayat, for instance, the arbitrary manner in which muster rolls and

High Cost: The government is spending a massive amount of money on MNREGA

	2006/07	2007/08	2008/09
	200 districts	**330** districts	**615** districts
BUDGET OUTLAY	**11,300**	**12,000**	**30,000**

Figures in ₹ crore

Source: MNREGA website

JOB CARDS

Job cards kept by a strongman in Muhammadpur panchayat of Vaishali district. Across Bihar and Jharkhand, a majority of passbooks and job card are kept by the village *mukhiya's* men or contractors

"How will direct transfers help? The workers do not even know they have to keep the cards or passbooks with them" **Wakil Khan,** Social Activist, Gumla, Jharkhand

worksheets are prepared is evident by work undertaken on public holidays and festivals such as Vijay Dashmi. The rolls also show women working on festivals such as Teej, when they observe fasts through the day. Pond digging work was taken up in the flood-prone area in the rainy season, when such activities are banned.

In Vaishali village of the eponymous district, a signboard alongside a road showed ₹1,62,425 was spent on planting trees as part of a MNREGA project. But the road did not have any tree. Activists say plantation work is the easiest route to make money in MNREGA. Why? In the case of an inquiry, the simple answer is that the plants dried. This was also the explanation that Vaishali Block Development Officer Kumar Patel, who had the additional charge of programme officer for MNREGA from July 2011 to January 2014, offered *BT*. "Plants are eaten by animals. They are destroyed due to village rivalries. In most cases, plants dry and die as they are not cared for by labourers."

Marred by Leakages

Since 2006, the central government has spent a staggering ₹2,43,178.72 crore on MNREGA projects, the programme's website shows. Of this, 60 per cent would have been used to pay wages, as mandated in the scheme. It would be naïve to believe the entire amount reaches the intended beneficiaries. Jairam Ramesh, Union Minister of Rural Development, acknowledges the problem. "In our delivery system the leakage is more and the coverage is less... How much money actually reaches the beneficiary is a big question mark," he said during MNREGA Divas in New Delhi in early February.

Estimates of leakages vary from state to state. A 2012 study by the Centre for Environment and Food Security, a non-government organisation based in New Delhi, estimated that only 27 per cent of the amount earmarked for payment as wages reached the intended beneficiaries in Bihar. Shankar Singh, a social activist from Rajasthan, expects leakages in the state to the tune of 30 to 35 per cent. In Jharkhand, activists say at least half the amount is siphoned off. A 2010 study by brokerage CLSA said that roughly 30 per cent of the central government's projected $50 billion (about ₹310,000 crore at current exchange rates) spend on MNREGA over five years would be lost through leakages.

The Comptroller and Auditor General last year conducted a performance audit of MNREGA for the period from April 2007 to March 2012. It checked the scheme's implementation in 3,848 gram panchayats and found glaring inefficiencies (see *Criticised by CAG*). Given that India has 238,617 gram panchayats, actual losses could be much higher. R. Subrahmanyam, Joint Secretary in charge of MNREGA at the Ministry of Rural Development, admits there

2009/10	2010/11	2011/12	2012/13	2013/14
619 districts	**626** districts	**626** districts	**632** districts	**644** districts
39,100	**40,100**	**40,000**	**33,000**	**33,000**

USHA DEVI and ABHIJEET KUMAR

The wife and son of Ram Kumar Thakur have been living in fear ever since the RTI activist was murdered in March 2013 for highlighting embezzlement of funds from welfare schemes in Ratnauli village of Bihar

"Even if panchayat committee members seek information on welfare spending, FIRs are lodged against them" **Anil Kumar Bhagat**, RTI activist, Vaishali district, Bihar

are leakages but says one should take a balanced view. He cites the example of Andhra Pradesh where leakages are in the range of one to six per cent only.

Surjit S. Bhalla, Chairman of Oxus Investments, an economic research and advisory firm, says less than 15 per cent funds earmarked for welfare programmes reach the poor. He adds that, in discussions about corruption in MNREGA, a lot of emphasis is given on leakages from wages since they account for 60 per cent of the spending. But 40 per cent of the total MNREGA amount is spent on procuring materials required to execute projects. "The material budget can be siphoned off to a large extent pretty easily in MNREGA. There are hardly any assets to show for."

Checks and Balances

Subrahmanyam, the ministry official, says MNREGA has multiple levels of checks to prevent corruption. These checks include conducting social audits and forming vigilance committees in each state. But he admits that in most states audits are not conducted in the proper manner. "Some cases show 100 per cent social audits and zero per cent irregularities. We know that is not possible," he says.

All villagers and social activists *BT* spoke with in Bihar and Jharkhand said they had never participated in a social audit. Mohammed Kalam, Mukhiyapati of the Vaishali gram panchayat, says that block administration staff generally conducts the audit while sitting inside the panchayat office and without physically verifying the work sites or interacting with activists or labourers.

Villagers are unaware that they have a right to demand work and that the government must pay them an allowance if it cannot provide work. Activists say administration officials do not even receive application forms in many cases so that the *mukhiya's* favourites get jobs on paper and they share the money. A grievance redressal mechanism is also non-existent. Anil Kumar Bhagat, a social activist from Vaishali district, says false police cases were lodged against some panchayat committee members after they sought to know details of MNREGA schemes from block or district administration by filing Right to Information (RTI) requests. Bhagat filed an RTI request on October 8 last year regarding a welfare scheme in Muhammadpur panchayat of Vaishali district. The next day, the block development officer filed a first-information report against him with the police accusing him of interrupting government work and trying to extort money.

False police cases, however, is not the biggest threat activists face. Sometimes, they pay with their life, too. Sahni, the Muzaffarpur activist, says he and fellow RTI activist Ram Kumar Thakur in 2012 highlighted embezzlement of funds in Ratnauli village. This led to the state's rural development department ordering a social audit. Subsequently, Thakur was beaten up, allegedly by the village *mukhiya's* supporters, and the audit was stopped mid-way. In March 2013, Thakur was shot dead. No one has yet been arrested for the murder.

The Aadhaar Link

Nearly two years ago, the government started a pilot project in a few states, including Jharkhand, to link workers' bank or post office accounts with their unique biometric identification Aadhaar numbers. The aim of the exercise was to weed out corruption in MNREGA by eliminating fake beneficiaries. Under the new system,

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THE AADHAAR-LINKED PAYMENT SYSTEM

A business correspondent helps MNREGA workers at a service centre in Dohakatu panchayat, Ramgarh district, Jharkhand, withdraw wages from their Aadhaar-linked bank accounts using a hand-held device.

"A new set of intermediaries will be created in the form of business correspondents and middlemen can connive with them" **Balram**, Activist with Jharkhand MNREGA Watch

beneficiaries depend on business correspondents to withdraw money. These bank-appointed agents carry a hand-held device called Micro ATM to request a withdrawal. After verifying their identities via fingerprint checks, the correspondent gives cash to the workers. But, this system also leaves scope for corruption, say activists in Jharkhand. The transaction receipts the illiterate workers get from the device are in English, so they are clueless about the details mentioned on it. Moreover, the receipts become illegible in no time. Also, the automated voice transaction notification from the machine is barely audible.

Gurjeet Singh, an activist with civil society group Jharkhand NREGA Watch, says instances of business correspondents asking for ₹100 bribe from a group of eight to 10 workers have come to their notice. Jharkhand Chief Secretary R.S. Sharma says, however, that the Aadhaar-linked system, once fully operational, will allow beneficiaries to switch business correspondents if someone is seeking bribes to disburse their wages.

Many villagers say the new payment system is helpful, but some complain about delays when the device does not work due to technical problems. Civil society activists and government officials agree that rural areas lack infrastructure such as Internet connectivity and electricity to support the new system. Reetika Khera, a development economist, says Aadhaar is not sufficient to prevent corruption. She cites the example of a pilot project based on Aadhaar to disburse subsidised food to beneficiaries in Andhra Pradesh's East Godavari district. She says 13 per cent transactions in the pilot happened through the manual override mechanism where a mobile number is entered into the hand-held device and a one-time password is sent to the phone. The transaction is completed after entering the password in the device. "The moment there is a manual override it means the whole system is collapsing."

Critics also say Aadhaar cannot prevent fraud in cases where money is deposited into the accounts of people who enroll for MNREGA projects but don't actually work. Officials at Unique Identification Authority of India (UIDAI), which issues Aadhaar cards and maintains a national database, admit there is currently no way to verify if the beneficiary who gets the money has actually worked. But they also say that Aadhaar has weeded out several fake and duplicate beneficiary accounts. Think-tank National Institute of Public Finance and Policy estimates that five per cent of the leakages can be plugged through wage disbursement using Aadhaar-enabled bank accounts.

Ashok Pal Singh, Deputy Director General, UIDAI, says the best use of Aadhaar will call for process engineering from top to bottom. He says that MNREGA job cards should be issued on biometric authentication and attendance at worksites be marked with biometrics. The job cards and attendance sheets will then capture the work hours and days and send payment schedules automatically. Money can then be credited directly into the accounts of the beneficiaries and withdrawn through biometric authentication. "It will minimise the role of middlemen and muster rolls cannot be fudged," he says. But implementing such a mammoth system requires a lot of financial and technical resources as well as trained manpower. Above all, it will require political will. That's something which isn't easy to find. ◆

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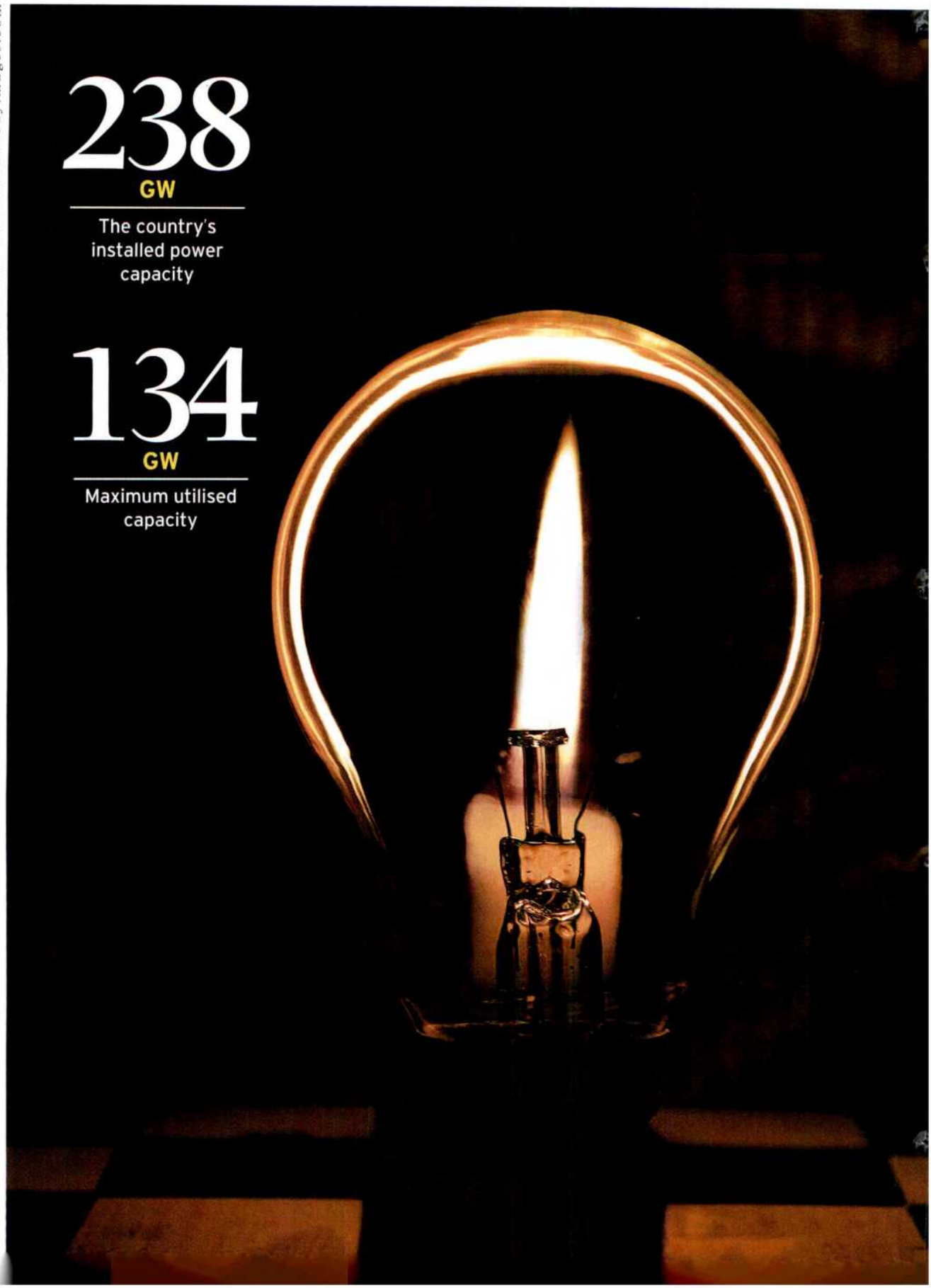

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POWER Hungry

Gujarat has power round-the-clock. Most other states do not. Why this will matter in the general elections. By ANILESH S. MAHAJAN

It was Narendra Modi's sixth rally in Uttar Pradesh (UP), this time at Gorakhpur. On January 23, the Bharatiya Janata Party's (BJP) prime ministerial candidate travelled to Varanasi in a chartered aircraft before proceeding to Gorakhpur by chopper.

At Varanasi airport, Modi met some BJP leaders, including his confidant Amit Shah, and took stock of poll preparations. Just a few km away from the airport, Samajwadi Party supremo Mulayam Singh Yadav, whose son Akhilesh is chief minister of the state, was addressing a rally at Benia Bagh Park in the heart of the city. Modi made time to listen to Yadav's speech on TV.

A combative Yadav was targeting Modi for his alleged role in the 2002 Gujarat riots. "We will not allow Modi to turn UP into another Gujarat," he said. Modi chose to take Yadav head on. At his Gorakhpur rally, Modi said: "Do you know what turning UP into Gujarat means? It means providing 24x7 electricity in every village."

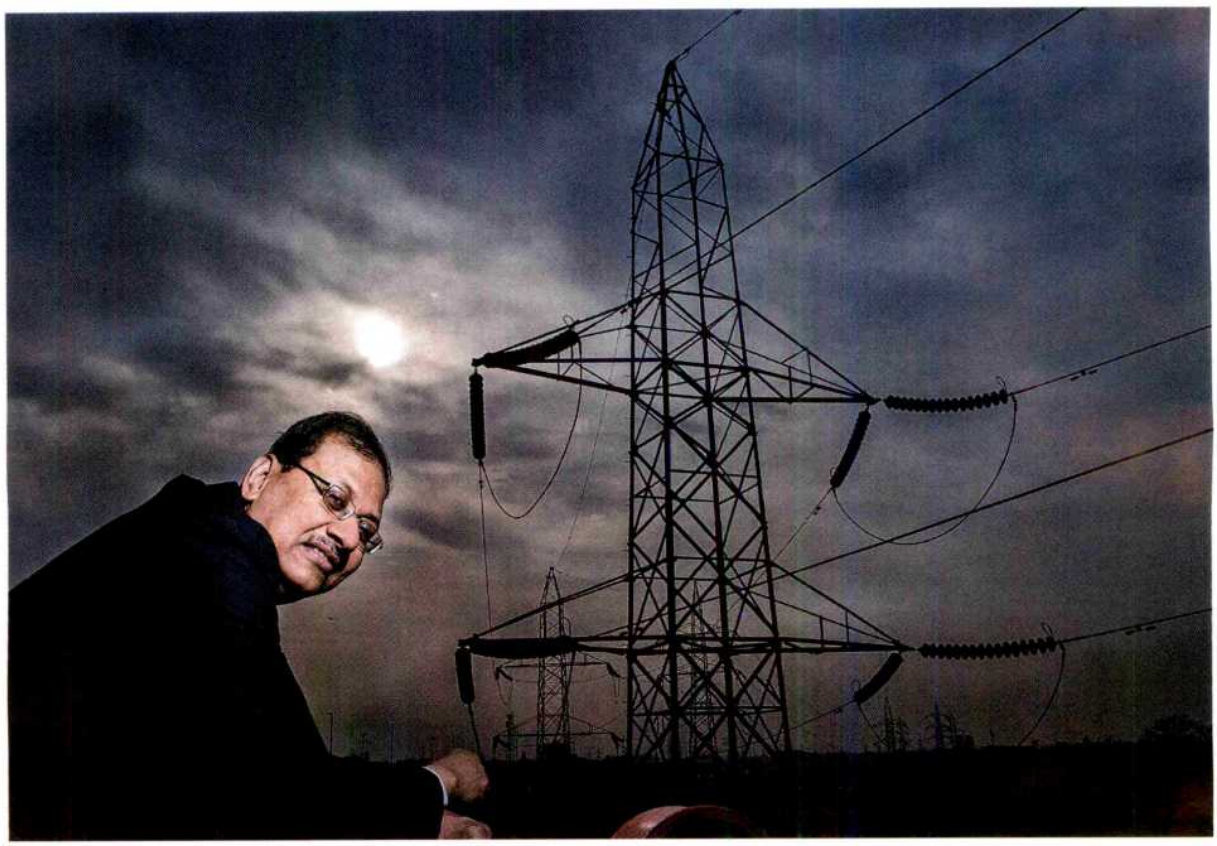
The riposte was a political masterstroke by Modi, hitting Yadav where it hurt most. UP faces an acute power shortage – with four to 10 hour power cuts daily in most parts of the state – and its distribution companies (discoms) are in a financial mess. In fiscal year 2013/14, accumulated losses of the discoms in the state are expected to touch ₹32,000 crore. Worse, about 10 per cent of villages in the state have never been electrified.

Yadav was clearly on the backfoot. A few days later he stated that UP too would get 24-hour power from 2015.

UP is only one instance. Political analysts believe that power shortage has become a major electoral issue not only in this state but across the country. Modi's spiel, frequently mentioning Gujarat's power achievement, is finding resonance among voters in most states. Indeed, the BJP is set to make the power situation in the country a cornerstone of its electoral strategy. "Development is a key agenda for the party. We see electricity as a major ingredient for it," says Piyush Goyal, National Treasurer, BJP.

Grim Situation

Only two states in India – Gujarat and Chhattisgarh – provide 24-hour power supply. Only three states have discoms that are profitable (without subsidies) – West Bengal, Goa and Maharastra – according to the Planning Commission. Rating agencies ICRA and Credit Analysis and Research (CARE) rank the four discoms in Gujarat as the country's best and the five in UP as the worst. UP is trying to reduce distribution



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DEEPAK AMITABH, CMD, Power Trading Corporation

"Tariffs should be more realistic. **You cannot live with unrealistic tariffs** which do not reflect the cost of generation"

losses, which were at a high 30 per cent in 2013; Gujarat had losses of roughly 18 per cent the same year. The national average is 27 per cent.

In the summer of 2013, industrial towns in UP such as Kanpur and Ghaziabad faced forced power holidays. "Last year we lost almost two days of production a week because there was very little power available. Electricity round the clock means more business," says Vikramjit Singh, who runs a small textile unit in Ghaziabad district of the state.

Manoj Kumar Upadhyay, Chairman and Managing Director of energy solutions provider ACME Group, sums up the grimness of the situation. "Some 66 years after Independence, India still has 75 million households without access to electricity. The government's own data shows that the per capita consumption of power in rural households is only eight units per month compared to 24 units in urban households," he says.

In most parts of India there is no electricity for 2,000 to 3,000 hours annually – that's 83 to 125 days. Whether it is Nitish Kumar-led Bihar, Mamata Banerjee-led West Bengal, Naveen Patnaik-led Orissa or Congress-ruled Maharashtra, power shortage is endemic in all these states. "Giving power 24X7 is at the core of BJP's economic agenda. Modi will push for it just as Atal Bihari Vajpayee did with the Golden Quadrilateral Road project," adds Goyal. Not to be outdone, the ruling Congress too has promised 24-hour electricity across the country over the next five years in its election manifesto. It remains an elusive goal for the Congress-led United Progressive Alliance government despite India's installed power capacity doubling over the last ten years. "Our goal is to take electricity to 90 per cent of Indian villages and all urban areas," says power minister Jyotiraditya Scindia.

Meanwhile, pursuing his promise to provide uninterrupted power from 2015, Yadav has asked UP power secretary Anil Kumar Gupta to improve the availability

of power in the state. But according to the new schedule issued by Uttar Pradesh Power Corporation Ltd (UPPCL), 24-hour electricity is only possible in important cities such as Lucknow, Agra and Noida. Alongside, the pocket boroughs of important politicians – Rae Bareli, Amethi, Etawah, Mainpuri, Kannauj and Rampur – could also get round-the-clock electricity. The rest of the state, however, will face scheduled power cuts of two to 10 hours. UP is only able to provide electricity for eight hours to villages electrified under the Rajiv Gandhi Rural Electrification Scheme.

Shailendra Dubey, Chairman of the All India Power Engineer Federation, doubts Yadav's directive will have any impact. "The current scheduling of power in the state will require 12 gigawatt (GW) power, but the state has access to only 10.5 GW," he says. The situation is equally bad in Bihar, reeling under daily power cuts of eight to 12 hours in rural and semi-urban areas.

Low Demand

According to the Central Electricity Authority (CEA), the advisory arm of the power ministry, the installed capacity of the country is 238 GW but the maximum peak generation achieved in the last 12 months was 134 GW. There are two reasons for this. There is low demand from states because of the poor financial health of discoms. Second, there is scarcity of fuel (oil, coal and gas) to run the power plants. An estimated 30 GW capacity is lying idle because of inadequate supplies of coal. In February, coal generation units on average ran at 65 per cent of their capacity. This leads to low per capita consumption. CEA data reveals that average per capita consumption is 920 kilowatt-hours, one fourth of China and less than one tenth of the US.

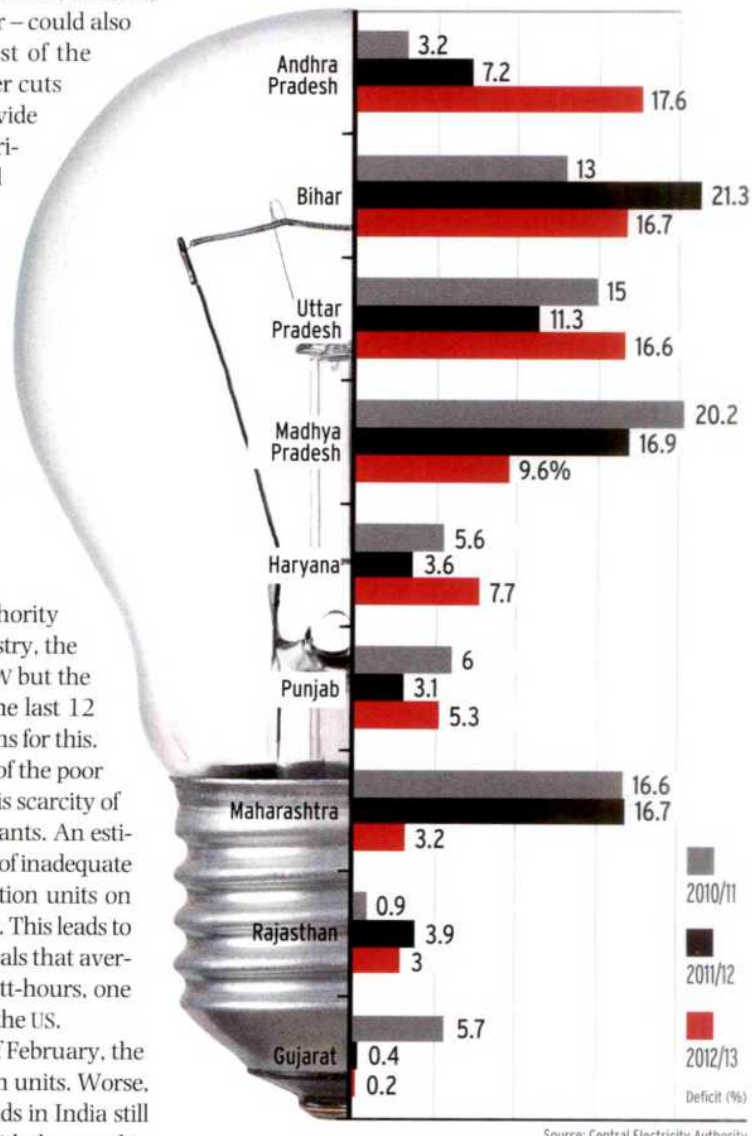
In the current fiscal year, till the end of February, the country faced a shortage of 38,335 million units. Worse, 31,000 villages and 33 per cent households in India still don't get electricity. "The country is faced with the paradox of unutilised generation capacity on the one hand and discoms reluctant to buy additional power on the other, though available, forcing a large cross section of consumers to resort to buying three times costlier diesel-based generation," says former power secretary R.V. Shahi.

But does Modi say how he will improve the power situation? BJP leaders cite his success in Gujarat. It all started nine years ago, after the state government opted for power reforms. In 2005 the state unbundled the Gujarat State Electricity Board and formed four separate discoms. This enabled better management and more efficient operations. The state subsequently segregated agriculture, industrial, residential and commercial demands, and installed more capacity. Modi also took care to ensure that the state electricity regulator remained insulated from political pressures, according to Goyal. The regulator has been able to revise power tariffs every year, which has ensured that the state bridged the gap between the average cost of supply and what users paid for it. Gujarat Urja Vikas Nigam Ltd., the holding company of the four discoms, reported a profit of ₹13.81 crore in 2012/13.

But if Modi takes charge in Delhi it will be an uphill

Darkness at Noon

The power shortfall in select Indian states in the past five years



Source: Central Electricity Authority

task, as electricity is on the concurrent list. This means that the Centre and the states have to share responsibility for the development of the power sector in India. BJP's Goyal, who is in charge of framing the economic agenda for Modi's campaign, says their plan is to have a "cabinet", with all the chief ministers part of it, to take decisions relating to issues of national importance collectively.

Significantly, power projects worth ₹5.5 lakh crore have been stuck over the last couple of years which will impede power generation in the future. Many of these awaited approvals of the environment ministry under Jayanthi Natarajan. Her successor M. Veerappa Moily subsequently cleared some of the projects, but whoever forms the new government will have to ensure they are implemented. This includes Reliance Power's 4000 MW Ultra Mega Power Project at Thaliya in Jharkhand and the 2,800 MW nuclear power plant at Fatehabad in Haryana. "Today, the first thing any project developer needs to do is hire a lawyer even before he starts looking for engineers to implement the projects," says the CEO of a group with major interests in the power sector. He says every group that has invested in the power sector is involved in litigation with the government. Other factors delaying projects – besides the poor financial health of discoms and fuel shortages – include issues related to land acquisition and transmission handicaps.

Piyush Goyal, National Treasurer, BJP

"Development is a key agenda for the party. We see electricity as a major ingredient for it"

Immediate Imperatives

"The need of the hour is to boost the production of fuels in India, be they oil, coal or gas," says Anil Agarwal, CEO, Vedanta Resources. "These can all be produced in India. Let world-class people come and develop our resources that can be used to generate electricity."

Also, there is an urgent need to revise power tariffs to pare the losses of discoms. Since 2013, the central regulator has pushed the states to rationalise tariffs. "There is no other solution to bail out the supply side of the business, but to increase the tariff. If the country is able to increase generation and curtail transmission and distribution losses, eventually the prices of electricity will settle down," says Sumant Sinha, Chairman and CEO of ReNew Power, an independent renewable energy power producer. ICRA in its report released on March 21 observes that most states are waking up to the need to hike tariffs. "The progress is satisfactory as some of the companies proposed a 15 to 26 per cent hike despite an election year," the spokesperson of the agency said. Deepak Amitabh, Chairman and Managing Director of Power Trade Corporation feels that tariffs have to be more realistic. "You cannot live with unrealistic tariffs that do not reflect the cost of generation," he says.

Round-the-clock supply is possible but people will have to pay, says a senior official at one of the discoms in Delhi on condition of anonymity. In 2012, the finance ministry had to offer bailout packages to seven states whose discoms were on the verge of bankruptcy – Tamil Nadu, Uttar Pradesh, Rajasthan, Haryana, Himachal Pradesh, Madhya Pradesh and Punjab. Madhya Pradesh and Punjab chose not to accept the offer and opted for reforms instead, which seems to be working for them. Madhya Pradesh, for instance, has reduced transmission and commercial losses from 37 per cent in 2009 to 27 per cent this year.

The power crisis in India is a burning electoral issue. Hopefully much needed power sector reforms will follow after the elections. ◆

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Prince Augustin, Mahindra & Mahindra;
K. Ramkumar, ICICI Bank

Value system: Why ethical executive leadership is increasingly important to employees

Vijay Deshpande, JK Tyre & Industries; SY Siddiqui, Maruti Suzuki;
Ashutosh Khanna, Korn/Ferry International;
Sameer Wadhawan, Coca-Cola India & South West Asia

Neutralising negativity: keeping employee morale high in tough times

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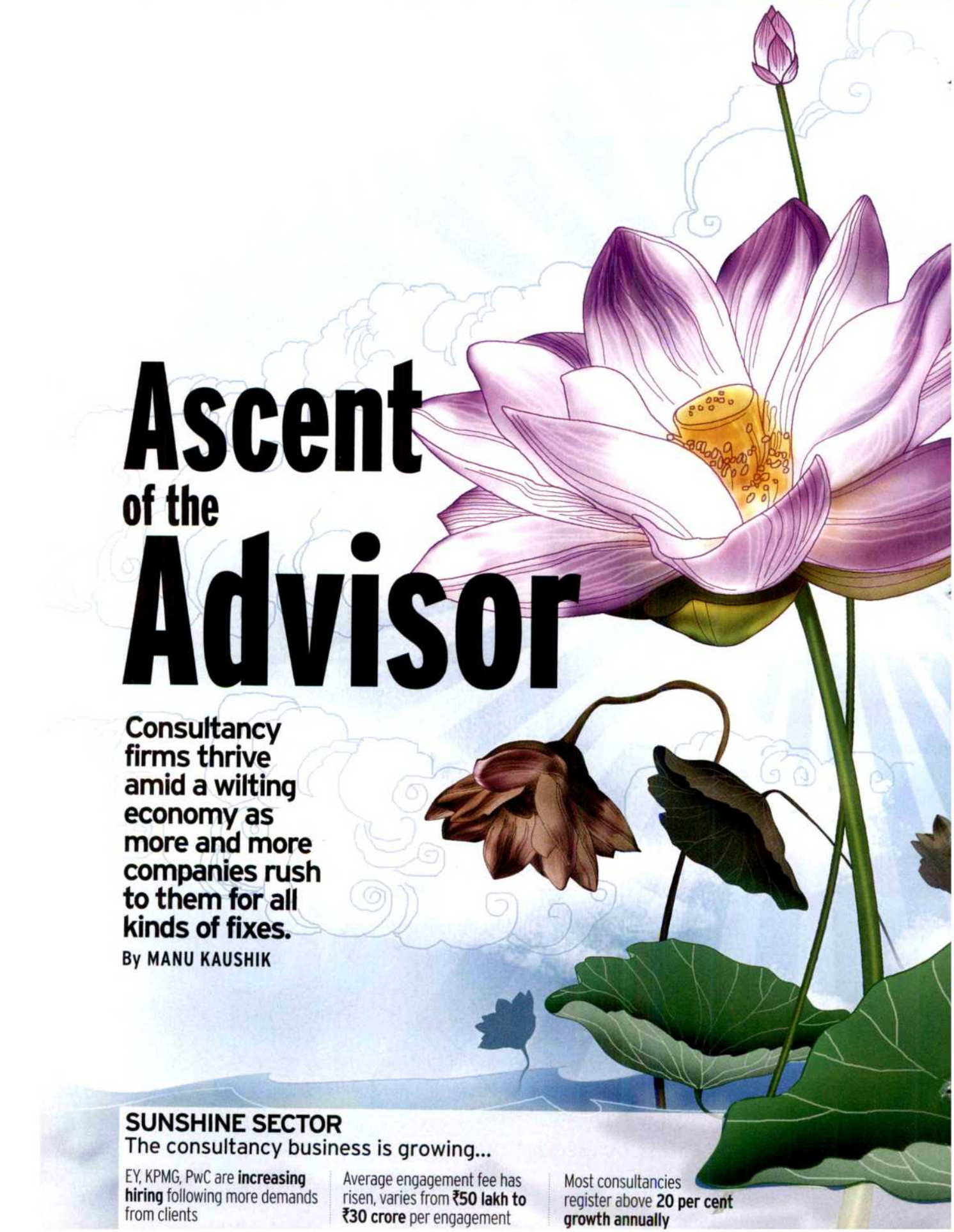
Ascent of the Advisor

Consultancy firms thrive amid a wilting economy as more and more companies rush to them for all kinds of fixes.

By MANU KAUSHIK



SUNSHINE SECTOR

The consultancy business is growing...

EY, KPMG, PwC are **increasing hiring** following more demands from clients

Average engagement fee has risen, varies from **₹50 lakh to ₹30 crore** per engagement

Most consultancies register above **20 per cent growth annually**

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Care has
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firm EY in 2012 to
it could boost opera-
tional efficiencies. EY zeroed in on procurement and management systems as key thrust areas.

In procurement, for instance, EY helped Quality Care reduce its cost of buying drugs and disposables. The company spends around ₹200 crore on procurement every year. "EY provided us with market intelligence to negotiate prices better with vendors. We were not aware that our competition was offered better prices (than we were) by the same vendors. Given the volume of our orders, we were able to reason with the vendors," says Krishna Reddy, co-founder of Quality Care. The strategy paid off – the company saved some ₹17 crore on procurement last year.

Quality Care is not an exception. Companies in India, across the board, are seeking advice from consulting firms to boost growth prospects, more so because of the current tough macro-economic environment. Consultants are being sought out to both help meet long-term goals – such as entering new product categories or new geographies – and short-term ones, such as improving the bottom-line through cost reduction, or shoring up the top-line for better revenue realisation per employee.

Naturally, consulting firms are making the most of the growing demand. A number of them have posted robust revenue growth in the last two years. EY, for instance, has been growing at about 35 per cent.

"Our addressable market, which does not include the agriculture sector, is still growing at 12 to 15 per cent," says Satyavati Berera, India Consulting Leader at PwC. Sri Rajan, Managing Director, Bain & Company India, is even more gung-ho. "In times like the present, companies are looking for guidance. They want to

"Our addressable market is still growing at 12 to 15 per cent annually"

SATYAVATI BERERA, India Consulting Leader , PwC

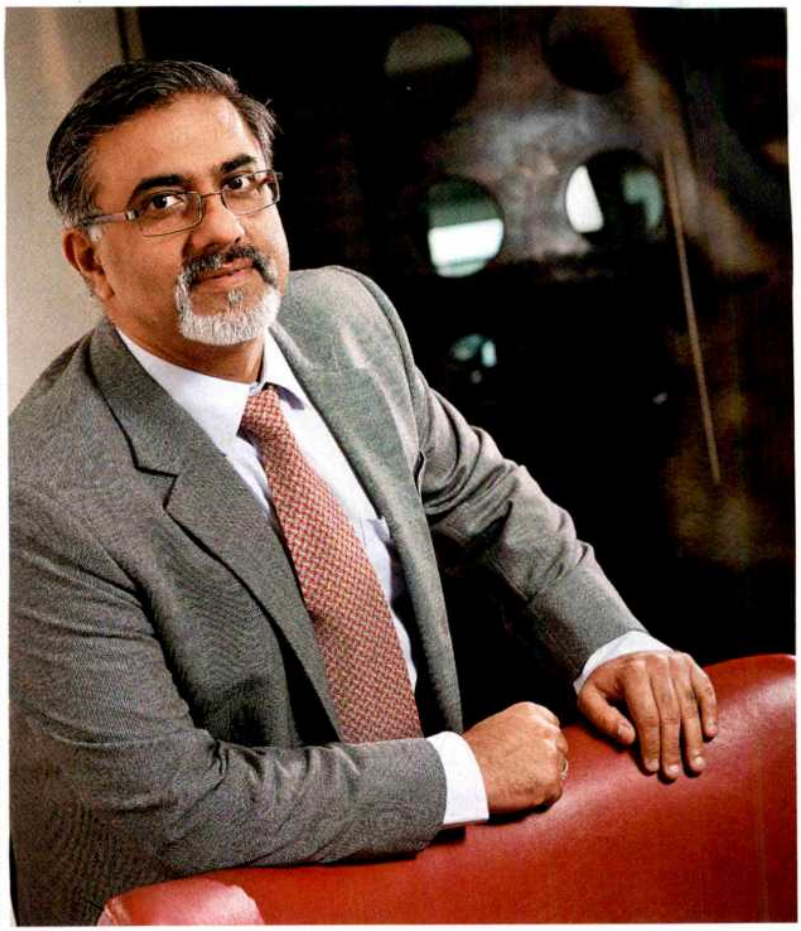
Ajay Thakur.

...but also faces challenges

There is shortage of **requisite talent**

Attrition rate is around **20 per cent**

Clients have begun linking the **fee** to **end results**



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"If the client does not have the talent to execute some part of the strategy, he may ask us to give him a person to perform the task"

SUNIL CHANDIRAMANI, National Leader (Advisory Services), EY

know what is happening in other parts of the world and how to navigate uncertainty. We are seeing a lot of demand for our services," he says.

Many Indian promoters retain their appetite for growth even in the current circumstances, and thus turn to consultants. According to a Boston Consulting Group (BCG) study, India had 141 "billion dollar" companies in 2010, and the number was expected to rise to more than 700 by 2020. Ambar Chowdhury, Senior Director, Monitor Deloitte India, recalls his first meeting with a promoter after moving to India from the US two years ago. "The man was upset because his company had grown just 20 per cent the previous year. The kind of growth rate Indian companies are targeting is much higher than that of their counterparts in the US and Europe," he says.

The consultancy business took off in India with the entry of McKinsey in 1992. Today, a whole gamut of consultancies operate, but there are important distinctions between them. Firms such as McKinsey, Bain & Company and BCG lead the pack with a focus on high-value, big-ticket deals. Then come the consultancy practices of the big four professional services firms (PwC, EY, KPMG and Deloitte) along with AT Kearney,

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Changing role

Traditionally, the role of con
firms was limited to designing s
gies for the client. But the nature
their work is changing fast. Instead of just pep talk, data crunching and analysis, consulting firms now have to work with companies to implement the strategies they suggest. This could include training the organisation's sales people, selecting the product distribution channels and even working with a creative agency on the advertising. "You may also find that the client does not have the talent to execute some part of the strategy. And if it's going to take him six months to recruit that talent, the client may actually ask us to give him a person who performs the task while he searches for and eventually hires a new person. We do this frequently now," says Sunil Chandiramani, EY's National Leader (Advisory Services).

It is no longer about leaving the client with a project report. "It is about establishing benefits and building a case for change in the organisation," says Vikash Agarwalla, Principal at Booz & Co.

Companies usually hire consultants with a specific purpose. They believe the consultant has a more open mind and can challenge the status quo in a manner company insiders cannot. It is one of the reasons Mumbai-based fast moving consumer goods (FMCG) giant Marico hired Bain & Co. "In the FMCG sector, it is easier to find capital and people but the real challenge is to improve the quality of thinking. Consultants give you an outside-in perspective," says Sameer Satpathy, Business head and Executive Vice President, Marico.

In 2010, Marico

STRENGTHS AND WEAKNESSES

THE TOP LEAGUE* McKinsey, Bain, BCG	THE BIG FOUR EY, PwC, KPMG, Deloitte	SMALLER FIRMS
Have **high recall value** among companies	Straddle the entire consulting **value chain**	Are often **nimble and innovative** with their strategy solutions
Have **international reach,** can help clients in their global expansions	Have snatched clients from those in the top league by **charging lower fee**	Do not always have the capacity to **execute their suggestions**
	Can provide **clients taxation services** along with consulting	**Heavily dependent on partners** (senior consultants) to drive business

*Consultancies with high value, big ticket strategy work

used the services of Bain India to devise its long-term strategy for growth – including brands to bet on, acquisition of other brands and finding newer markets. It made a difference. In the past four years, Marico has sustained a healthy compound annual growth rate of 20 per cent on the back of new product launches and acquisitions. "The market is unforgiving. You don't want to be at a strategic disadvantage. It would have been difficult for us to do the changes we did without external support," says Satpathy.

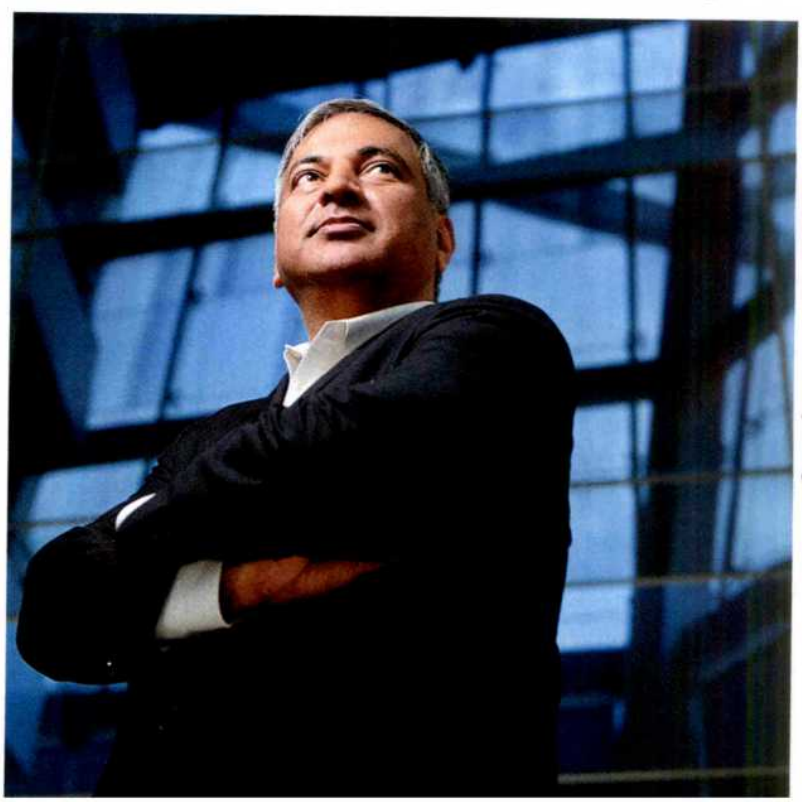
Focus on Specialisation

Most consultancy firms are increasingly specialising in specific sectors and processes. Take Monitor Deloitte, which bought the innovation consultancy firm Doblin five years ago. Doblin does not resemble a regular management consultancy. It has social scientists, anthropologists, ethnographers and designers on its rolls. With their strong consumer insights, they help companies develop new business concepts. Chicago-based Doblin has done more work in India than in any other country outside the US in the past three years. Currently, it is working with an agricultural equipment maker, its team spending time talking to farmers. "We are going to open a branch of Doblin in India to serve the growing demand of Indian clients," says Chowdhury.

KPMG has also found its own niche. It provides services to captive units of large multinationals in India. "Many MNCs have their captive centres here. We help them improve profitability, risk compliance and set up quality management systems for them. It's a high-growth market for us," says Ambarish Dasgupta, Head Management Consulting, KPMG India.

"Clients want specialisation, but with scale, and on a global basis"

SANJAY DAWAR, MD, Accenture Management Consulting



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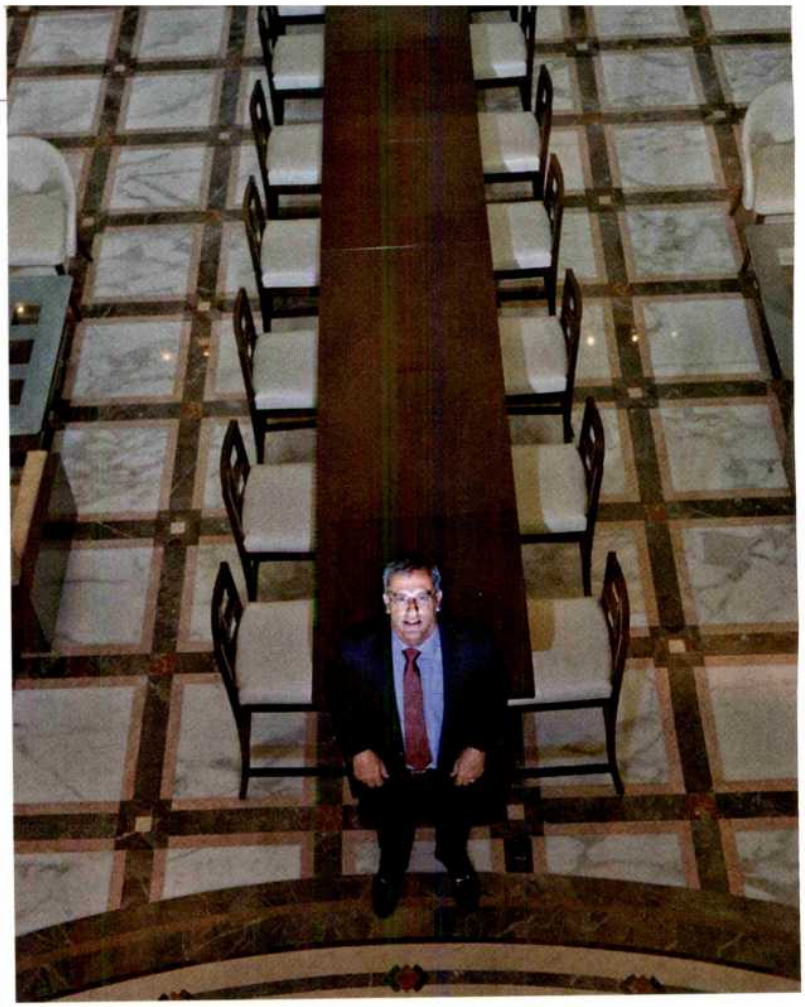
Or consider Strategic Decisions Group (SDG), a relatively smaller firm. It focuses on infrastructure, power and oil and gas. "In infrastructure, companies need to make big investments upfront to build assets. Through our models, we assist clients in taking those big-bet decisions," says Aashish Mehra, Managing Director, SDG.

In 2005, when SDG partnered with GMR, the latter was a small firm with just four assets (two power plants and two road projects). SDG says it was instrumental in putting GMR on the fast growth track. "Whether it was getting into SEZs or real estate or airports, we worked with GMR to identify some of the sectors," says Mehra. Today, GMR operates 35 assets in India and abroad.

Digital technology is another area where some consultancies are investing heavily. "Technology strategy and business strategy go hand-in-hand today. We don't do coding and all that. I believe digital is changing the way consulting is done the world over," says Noshir Kaka, Managing Director of McKinsey India.

Meanwhile, snapping at the heels of large consultancies are boutique firms, estimated to be over 100 already. These are good at formulating cheap and innovative solutions for clients. The larger firms, which relied a fair bit on their brand premium in the past, are finding themselves hard pressed to evolve quickly and meet the growing competition from these smaller firms.

Some of the leading corporate houses in India have turned to boutique firms. "We have worked with various boutique firms in the past. They are able to bring personalisation to their services," says Rajesh Sud, CEO and MD, Max Life Insurance.



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"The kind of growth rate Indian companies are targeting is much higher than that of their counterparts in the US or Europe"

AMBAR CHOWDHURY, Senior Director, Monitor Deloitte India

The larger firms maintain they still have an edge. "Many of these boutique firms are good at strategising but when it comes to implementation, they may not have the capabilities," says Saurine Doshi, MD, AT Kearney. Sanjay Dawar, MD, Accenture Management Consulting agrees. "There are few firms that can support clients from strategy to execution. Clients want specialisation but with scale, and on a global basis."

Most consultancies have big recruitment plans this year. EY is planning to hire a record 1,000 people in the advisory function this year. Last year, it hired about 600. KPMG too will be setting a new hiring record this year. Still, lack of talent and high attrition rates do worry consultancies. "Our problem is not demand but lack of enough people to hire and train," says Janmejaya Sinha, Chairman of BCG Asia Pacific.

One of the key challenges for consultancies is to move beyond their core customer base of large corporate houses and serve more mid- and small-scale companies. Currently, consultancy firms get a huge chunk of their business from big companies. Chowdhury says that is because Indian consulting industry is still evolving. "The large companies understand our importance better than mid-sized companies," he says.

Still, consultancy firms clearly have their hands full and demand for their services appears set to grow. ◆

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Ethical perspective: (From left) Sanjay Singh, Director - HR and Administration, Cairn India; Nina Chatrath, Founder, Enhance Consulting; Shamni Pande, Senior Editor, *BT*; Shailesh Kumar Singh, Director and Chief People Officer, Max Life Insurance; and S. Sanjay Sen, Group VP HR, Avantha Group

THE YOUNG AND THE RIGHTEOUS

Top HR executives in Delhi-NCR discuss ethical leadership and how to keep young managers engaged. By ARUNIMA MISHRA

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Being ethical not only makes people feel good about themselves, it is also good for business. It builds trust and inspires young people – and every organisation wants to keep the young and impatient generation engaged.

The third and final leg of the *Business Today* Knowledge Forum on Human Resources (HR) held at The Oberoi, Gurgaon, on March 19 discussed ethical leadership, as well as young people in the workforce, at length. The first and second legs were held earlier on February 17 and 26 at Bangalore (see *www.businesstoday.in/btknowledge-blore2014*) and Mumbai (see *www.businesstoday.in/btknowledge-mbai2014*) respectively.

Shamni Pande, *BT*'s Senior Editor, moderated both the panel discussions that took place. The subject for the first set of panellists was *Value system: Why ethical executive leadership is increasingly important to employees.* The panel comprised Sanjay Singh, Director-HR and Administration, Cairn India; Nina Chatrath, Founder, Enhance Consulting; Shailesh Kumar Singh, Director and

For videos of the discussions, log on to
www.businesstoday.in/btknowledge-gurgaon2014

Chief People Officer, Max Life Insurance; and S. Sanjay Sen, Group Vice President HR, Avantha Group.

Sen opened the proceedings. "An important role that ethical leadership has is that of a role model," he said. "It is not about what you are getting done, but how you get it done." Singh of Max Life Insurance agreed, adding that for leadership to sustain and win customer trust, it had to be ethical. "Leaders are those who have practised what they preached. In the emerging markets, this has become more relevant than it was a decade ago," he said. Moving on to his own sector, he added: "The insurance sector is very heavily regulated. A lot of innovative practices and consolidations have happened across this sector."

Cairn India's Singh dwelt on the importance of education in building ethical leadership. "We are running workshops on what's right and what's wrong. We need to educate ourselves in order to build leadership," he said.

The growing emphasis on ethics in companies has led to the rise of the compliance officer – many organisations now employ people in that capacity. "A compliance officer is brought in when there's a dilemma," said Nina Chatrath of Enhance Consulting. "What measures does an organisation take to revisit its ethics' practices? How many stand up and become whistleblowers and get protection for raising their voice against what is wrong?"

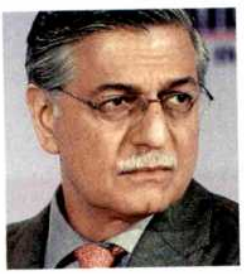
The topic of the second panel discussion was: *The new core: Dealing with work habits and expectations of the new generation of workers*. The participants were Vijay Deshpande, Vice President and Head HR, JK Tyre & Industries; S.Y. Siddiqui, Chief Operating Officer (Administration-HR, Finance, IT, Company Law and Legal), Maruti Suzuki; Ashutosh Khanna, Client Partner, Korn/Ferry International; and Sameer Wadhawan, VP-HR and Services, Coca-Cola India and South West Asia.

Wadhawan of Coca-Cola began by saying that the current generation has grown up using devices, and the language it understands is different from that which older folk do. "It's better that you become aware of the millennials (people under 30) at the workforce. It is extremely important for us to look at the global perspective. These people come with a lot of individualism, achievement and passion, and what we are realising is how we can tap into their passion."

JK Tyre's Deshpande agreed with Wadhawan and said if the young managers were happy at their workplaces, they would be engaged with their work, and if they were not happy, they would not be engaged – it was as simple as that. He went on to add that it took young people to call it quits at a job and move on. "To keep the young workforce engaged, we need to know it. Communication is also easier with these people, it's not complex... If they have done a good job, you need to tell them instantly as they

PHOTOGRAPHS BY SHEKHAR GHOSH

Banking on youth: (From left) Vijay Deshpande, VP & Head HR, JK Tyre & Industries; S.Y. Siddiqui, COO (Administration - HR, Finance, IT, Company Law & Legal), Maruti Suzuki; Shamni Pande; Ashutosh Khanna, Client Partner, Korn/Ferry International; and Sameer Wadhawan, VP - HR & Services, Coca-Cola India & South West Asia



S. Sanjay Sen
Avantha Group
"An important role that ethical leadership has is that of a role model. It is not about what you are getting done, but how you get it done"

Nina Chatrath
Enhance Consulting
"A compliance officer is brought in when there's a dilemma... What measures does an organisation take to revisit its ethics' practices?"

Sanjay Singh
Cairn India
"We are running workshops on what's right and what's wrong. We need to educate ourselves in order to build leadership"

Shailesh Kumar Singh
Max Life Insurance
"... Leaders are those who have practised what they preached. In the emerging markets, this has become more relevant now"

won't wait for the annual cycle to hear that. Understand them and build an emotional connect with them."

So, how do organisations strike a balance between the different generations at work? Maruti Suzuki's Siddiqui believes a new leadership will be required to engage and retain the younger population. "For the last 10 years, we (at Maruti) have been experimenting on a bouquet of human resource policies. For youngsters, compensation must have a cash element in it, while for the older generation, it is the benefits that matter."

Were companies promoting young leaders at an early stage? Were they being prepared to take on responsibilities? Korn/Ferry International's Khanna regretted that organisations do not really make any preparations for their young workforce. There is no career planning for them within organisations and young people are often clueless about their career paths. "How do I engage with an audience that doesn't know its mind? They know they won't be without a job because if one company doesn't pay, another will."

The panellists concluded that a huge shift in work culture as well as HR policies had taken place, but there was need for a lot more communication with young people as well as suggestions, clarifications and questioning.

SRM University was the presenting sponsor of the event. ◆

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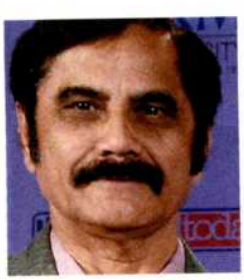

Vijay Deshpande
JK Tyre & Industries
"To keep the young workforce engaged, we need to know it... If they have done a good job, you need to tell them instantly"

S.Y. Siddiqui
Maruti Suzuki
"... For youngsters, compensation must have a cash element in it, while for the older generation, it is benefits that matter"

Ashutosh Khanna
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"It's better you become aware of the millennials... They come with a lot of individualism, achievement and passion..."

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Harvard Business Review

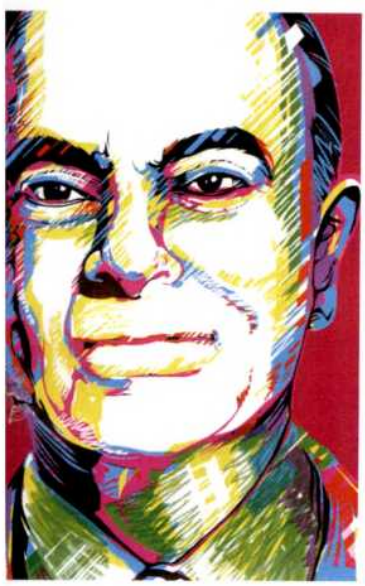
GREAT LEADERS WHO MAKE THE MIX WORK

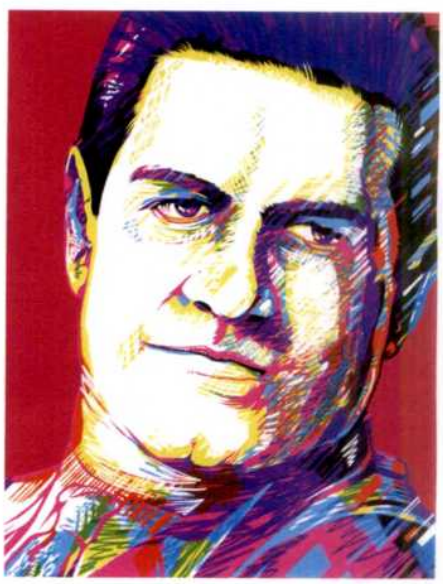
Business leaders send a powerful message when they demonstrate a commitment to diversity and inclusion that goes beyond rhetoric. But how does diversity make its way to the top of a CEO's agenda? To find out, we interviewed 24 CEOs from around the globe who ran companies and corporate divisions that had earned reputations for embracing people from all kinds of backgrounds. These executives represented a wide range of industries and regions, as well as different stages on the journey to creating an inclusive culture. Our goal was to understand not only why they had made diversity a strategic priority but also how they executed on their goals and what that meant to the organisation and its practices.

The CEOs we spoke with did not see diversity as a once-and-done initiative, nor did they hand off the responsibility for it to others. Rather, each of the 24, in his or her own way, approached inclusivity as a personal mission. When we asked these executives why advancing diversity in their organisations was so important to them, the aggregate answer was twofold: They believed it was a business imperative because their companies needed it to stay competitive, and they believed it was a moral imperative because of their personal experiences and values. As Mikael Ohlsson of the Swedish home-products company IKEA put it, "My leadership on diversity is vision-driven from a business point of view and value-driven at the foundation."

These CEOs spoke forcefully about diversity as an advantage. Paul Block of the US sweetener manufacturer Merisant pointed out, "People with different lifestyles and different backgrounds challenge each other more. Diversity creates dissent, and you need that. Without it, you're not going to get any deep inquiry or breakthroughs." Or,

Twenty-four CEOs on creating diverse and inclusive organisations. By BORIS GROYSBERG and KATHERINE CONNOLLY





ILLUSTRATIONS BY AJAY THAKURI

as Jonathan Broomberg of the South African insurer Discovery Health put it, diversity is "a source of creativity and innovation."

A diverse workforce also prevents an organisation from becoming too insular and out of touch with its increasingly heterogeneous customer base. Many of the CEOs asserted that it is crucial for a company's employees to reflect the people they serve. Brian Moynihan of Bank of America saw an important link to customer satisfaction: "When internal diversity and inclusion scores are strong, and employees feel valued, they will serve our customers better, and we'll be better off as an organisation."

The Role of Personal Experience

A CEO's commitment often arises from his or her own understanding of what it means to be an outsider. Take Andrea Jung of the personal-care-products firm Avon. (Note that Jung, like a number of other CEOs we talked with, has stepped down since our interview with her.) Describing her career, she said: "I was often the only woman or Asian sitting around a table of senior executives. I experienced plenty of meetings outside my organisation with large groups of executives where people assumed that I couldn't be the boss, even though I was." MasterCard's CEO, Ajay Banga – a Sikh from India who was hassled in the United States after 9/11 – shared something similar: "My passion for diversity comes from the fact that I myself am diverse. There have been a hundred times when I have felt different from other people in the room or in the business. I have a turban and a full beard, and I run a global company – that's not common."

Carlos Ghosn of Nissan Motor Company told us how bias had affected his own family. "My mother was one of eight children," he said. "She used to be a very brilliant student, and when the time came to go to college, she wanted to become a doctor. Unfortunately, her mother had to explain to her that there was not enough money in the family, and that the money for college was going to the boys and the girls would instead have to marry. When I was

a kid and my mother was telling me this story – without any bitterness, by the way, just matter-of-fact – I was outraged because it was my mother. After hearing that story, I said I would never do anything to hurt someone based on segregation."

To Ghosn, gender bias is a personal affront. "When I see that women do not have the same opportunities as men, it touches me in a personal way," he said. "I think it's some kind of refusal related to my sisters or to my daughters."

Even white male CEOs had stories to share. Kentucky native Jim Rogers of the electric-utility holding company Duke Energy felt like an outsider at the start of his career. "When I went to Washington to be a lawyer, I felt like I had to work harder, be better, and prove myself because I had a southern accent and came from a rural state," he said. The self-awareness, insight, and empathy that Rogers and other chief executives acquired from personal experience have clearly shaped their attitudes towards diversity and inclusion and informed their priorities as leaders.

Persistent Institutional Barriers

The CEOs were generally disappointed with the lack of progress on diversity in the C-suite. While several women have risen through the ranks to become leaders of multibillion-dollar corporations, the statistics are grim overall. Only four per cent of companies on the 2013 *Fortune* 500 list are led by female CEOs. As Banga acknowledged, "That's more than what it used to be 20 years ago, but it's nowhere near where it should be." The disparity also persists in other senior leadership positions and on boards. Ken Frazier of Merck offered a harsher assessment: "I think that the progress of women in the last two decades has been so limited, so slow, so inadequate, that it would defy even the most sceptical people from 20 years ago."

We asked the CEOs what they perceived to be the greatest obstacles to women's advancement in their own companies and industries. Although there's no one truth about what holds women back, the leaders we spoke with offered candid views based on years of observation.

AJAY BANGA
CEO of MasterCard

My passion for diversity comes from the fact that I myself am diverse. There have been a hundred times when I have felt different from other people in the room or in the business. I have a turban and a full beard, and I run a global company – that's not common

If there's a single barrier that affects all women, it's exclusion from networks and conversations that open doors to further development and promotion, according to seven of the CEOs. Woods Staton of Arcos Dorados, the largest operator of McDonald's restaurants in Latin America, defined the offending mechanism as "social cliquishness," a pattern of interaction in which men seek out the company of other men and ignore women. "The men come out of a meeting, hang out with each other, and then go out at night for drinks," Staton explained. "It's subtle discrimination, and it's difficult to work around." Barry Salzberg of the professional services firm Deloitte described this pattern as a tangible, negative consequence of "the old boys' network."

Frazier went so far as to say, "I'm an African-American, and I've worked in the business world all my life, and I believe very strongly that whatever barriers race presents in the workforce, they pale in comparison to the barriers that women face when creating the close mentoring relationships that are necessary to be promoted." We find that this kind of discrimination is often unintended, unconscious, and embedded in a company's culture.

The CEOs also reported that the contributions of women are often underappreciated. As an example, Jim Turley of Ernst & Young described an incident when he himself was called out: "I like to facilitate our board discussions by getting right into the more contentious points, and we were having a discussion around a particular topic. Three women on the board made individual comments that were similar in direction, which I didn't respond to. Not long after they spoke, a fourth person, who happened to be a man, made a comment in line with what the women had been saying, and I picked up on his comment. I said, 'I think Jeff's got it right,' not even aware of what I had just done. To their great credit, the women didn't embarrass me publicly. They pulled me to the side, and they said, 'Jim, we know you didn't mean for this to be the way it was received, but this is what happened.' They played it back to me, and they said that that's what happens to women throughout their careers. It was a learning moment for me."

Clearly, even leaders passionate about building inclusive cultures can inadvertently allow unconscious biases to shape their behaviour.

Five of the CEOs asserted that unexamined assumptions also constrained women's chances to progress. As Frazier explained, "If a job requires a woman to travel a lot, sometimes people decide preemptively that she's got a young child at home – this won't be something she's interested in." Double standards can also trip up women in line for promotions, as when characteristics prized in male leaders are viewed as negative qualities in women. "When men come into the environment and they're tough, they're perceived as strong business leaders," said Block. "When women come in and they're tough, it's not always as valued."

ANDREA JUNG
Former CEO of Avon

I was often the only woman or Asian sitting around a table of senior executives. I experienced plenty of meetings outside my organisation with large groups of executives, where people assumed that I couldn't be the boss, even though I was

Geographic immobility due to family constraints was another problem, mentioned by three of the CEOs. "People often require geographic mobility to get the appropriate amount of exposure to the various aspects of the business that they need to understand," Randall Stephenson of AT&T noted. "As managers mature, we observe that some female managers get to a place where they want to begin families or their spouse also works, which makes them less inclined to move and physically relocate their families." Jung concurred: "In my experience, where part of career development and part of talent management was getting a 'global passport' stamped, one of the barriers for women could have been mobility. I saw that beyond the opportunity for the individual, we also had to try to create all of the opportunities necessary to make sure the whole family could in fact move."

Another three CEOs cited insufficient support for women who were rejoining the workforce after taking time off to raise children. Any organisation that hopes to encourage women to succeed needs to address that, noted Rogers. "If a woman is pregnant and leaves, you have to have the flexibility to allow her to do that but not lose her place or her momentum," he said.

Unsurprisingly, five CEOs brought up barriers related to childbearing and child rearing, and six mentioned a lack of flexible work hours. They observed that the push-and-pull between work and family, though increasingly an issue for men too, remains predominantly a barrier for women. George Chavel of Sodexo North America drove home that point, asking, "Why should women have to be superhuman, have these reputations of 'They can do it all,' and make these major sacrifices, and men don't have those kinds of expectations placed on them?"

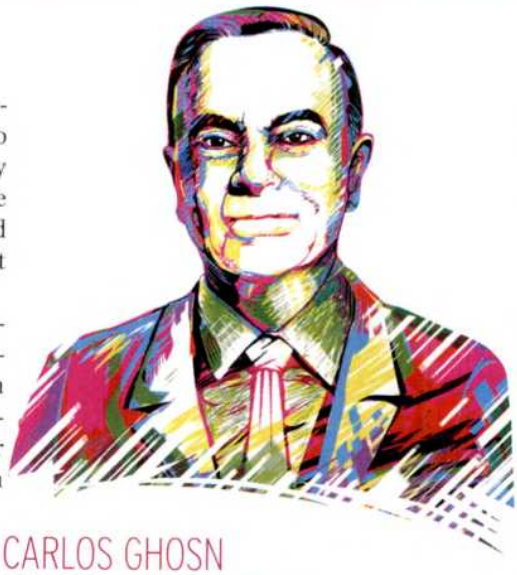
Do Women Lead Differently?

Eight of the CEOs perceived a distinction between male and female leadership styles. Though social scientists may not agree with their take on things, the CEOs said that women were less political, less likely to define themselves by their careers, more collaborative, better listeners, more relationship-oriented, and more empathetic and reasonable. We also heard that women were more likely to focus on completing the job at hand and to neglect to position themselves for recognition or promotion, while men were more apt to seek attention.

This tendency not to assert themselves could hold women back. George Halvorson of the California-based managed-care consortium Kaiser Permanente explained the problem this way: "There are cultural barriers, in that leaders who are looking for the next generation of leaders, for the people to promote, are less likely to see and understand the capable women that they have in their shop, probably because the male style tends to focus more on being in the spotlight, and the female style tends to focus more on bringing people together to get things done. The very thing that makes the best female leaders very successful also makes them less visible, and

that's an incredibly important distinction. A good leader knows to look for things that have gone really well and then drills down to find the person who really did it, as opposed to just looking for whoever has a lot of accolades and did the dance."

But some differences in leadership style can work to women's advantage, said several CEOs. "When you've got a complex project involving multiple layers, you need a leader who is collaborative, and more often than not I have found that leader to be a woman," said Halvorson.



CARLOS GHOSN
CEO of Nissan Motor Company

My mother was one of eight children. She used to be a very brilliant student, and when the time came to go to college, she wanted to become a doctor. Unfortunately, her mother had to explain to her that there was not enough money in the family, and that the money for college was going to the boys and the girls would instead have to marry. After hearing that story, I said I would never do anything to hurt someone based on segregation

What Is an Inclusive Culture?

Resoundingly, the CEOs agreed on what an inclusive culture meant for their organisations. They defined it as one in which employees can contribute to the success of the company as their authentic selves, while the organisation respects and leverages their talents and gives them a sense of connectedness. "In an inclusive culture employees know that, irrespective of gender, race, creed, sexual orientation, and physical ability, you can fulfil your personal objectives by aligning them with the company's, have a rich career, and be valued as an individual. You are valued for how you contribute to the business," said David Thodey of Telstra, the Australian telecommunications firm. Brad Wilson of Blue Cross and Blue Shield of North Carolina described an inclusive workplace as "one where all who come with the professional skills sufficient to perform the requirements of the job feel welcome, supported, and rewarded, and are inspired to succeed based on their ability." That's similar to the point that John Rowe of Exelon, a US energy producer and distributor, made when he noted that a culture of mutual respect helps his company address the complexities of its business. "A big organisation needs only a few generals and a lot of sergeants," he said. "The sergeants deserve respect too."

Some CEOs observed that the proof is not only in how individual employees feel about opportunities for growth but also in how teams operate and decisions are made. "In an inclusive culture, we create and support heterogeneous teams," said Chavel. "They may take longer to make decisions than homogeneous teams, but it's worth the investment because their decisions will be better informed." To these CEOs, inclusiveness is not merely a matter of the composition of the organisation or of particular teams (though such metrics can be helpful); it also has to do with how people relate to one another. "Broad diversity is necessary, but if you just walk away after you have it, you may not get the outcomes you want," said Steve Voigt of King Arthur Flour, a company where women account for three of eight board members and three of six senior executives. "You really have to manage it, grow it, and educate around it."

Practices That Make the Difference

Turley drew an important distinction: "Diversity itself is about the mix of people you have, and creating an inclusive culture is about making that mix work." We asked the CEOs which of their organisations' practices had been most effective at harnessing diversity. Here's what they told us:

1. Measure diversity and inclusion. The CEOs agreed that metrics are key because, as we know, what gets measured gets done. Bank of America, for example, puts questions about diversity and inclusiveness into its biannual employee engagement survey and compares the results for any team that gets at least seven responses against those of a normative group of companies. "We've also built a diversity-and-inclusion index that tells us if people here feel they are treated fairly and to help us ensure that people of diverse backgrounds can succeed at Bank of America," said Moynihan. "With this data, each team can have a dialogue to determine what we're doing well and what we can improve to make Bank of America a better place to work."

2. Hold managers accountable. Merck, Nissan, General Mills, Telstra, and ABB North America are among the many organisations that make diversity and inclusion goals part of their managers' performance objectives. "Each of my direct reports has things that they're going to do personally to help promote diversity, not things that they can assign to their team," explained Moynihan. "I say, 'What are *you* going to do to get involved?' For example, they can mentor somebody individually or sponsor diversity events." AT&T takes a different approach. "We benchmark diversity objectives at the senior levels of management, and we have regular meetings around my table about how we're advancing," said Stephenson. "A portion of our officers' compensation is based on achieving those objectives." Many CEOs also reported that managers who embraced diversity were more likely to be considered for promotion at their companies.

In some organisations a favourable attitude towards diversity even determines whether an employee is viewed as a good fit for the organisation. "We really have challenges when the leadership group is not diverse and they don't get it. And so you have to educate them – and if they still don't get it, I let them go," said Tim Solso of the engine manufacturer Cummins. He elaborated: "We hit a serious downturn in the second half of 2000 through the first half of 2003. I mean, we were on the brink as a company, but I didn't back off on diversity. One of the senior officers basically said to another officer, 'Why doesn't Solso get off this diversity stuff? We need to save the company.' I fired him. It was well known why he was fired. After that, people either got it or didn't talk that wayanymore."

3. Support flexible work arrangements. Many of the CEOs reported that their organisations offered benefits that helped employees balance their professional and personal commitments – such as flexible hours, onsite child care, and onboarding support after a leave of absence. Ken Powell of the US food processor General Mills explained his company's efforts this way: "I've had officers at General Mills say to me, 'I realise that I'm one of several people who could be the brand manager for Cheerios, but I'm the only person who can be the mother to my children.' While some of those women make the decision to leave the company – sometimes permanently – we've learned that we can retain many of them by providing greater flexibility during those hectic childbearing years."

At Sodexo North America, Chavel and his leadership team have made work/life balance a personal matter. "Although the job is 24/7, I try to send the message that I'm open and receptive to any kind of flexible arrangement," Chavel said. "For example, I will end a meeting early to get to one of my sons' athletic events or travel somewhere for a family commitment."

4. Recruit and promote from diverse pools of candidates. Workforce diversity begins with the search for talent. At General Mills, Powell's leadership team tracks metrics during and after the hiring process. "From the beginning, we're looking at the composition of the pool of candidates that we interview on campus, because that's an important early indicator," Powell told us. "Then we look at the composition of the group of people we hire in any given year. We track the retention rate for different groups, such as women or African-Americans. Even interns. At what rate are they leaving? At what rate are they getting promoted? What percentage advances to each level in the company? Our metrics help us diagnose and understand what's going on – enabling us to develop action plans to address any issues we see. It's important, and that's why I review those metrics myself on a quarterly basis."

Ghosn has taken a different approach at Nissan in Japan, where women are strikingly underrepresented in management ranks. "We've implemented quotas in hiring, particularly in the populations where there are fewer women – like engineering – and we make sure that in the succession plans of the company we always have a specific number of female candidates," he explained. "This forces management to identify women in their own ranks or to hire more women. So when it comes time for promotions,

> KEN FRAZIER
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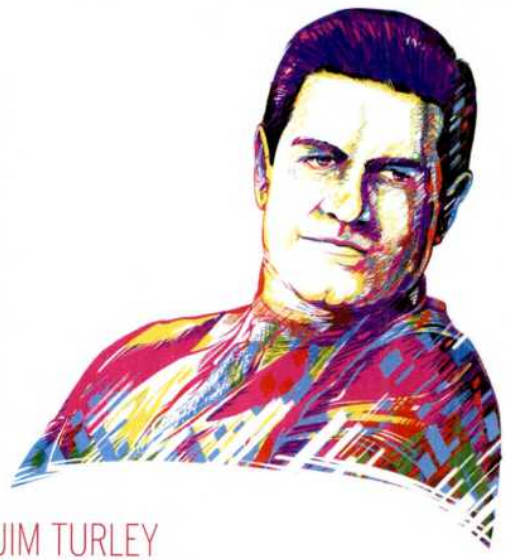
we have a diverse group of candidates from which we can choose. I believe quotas are a great way of advancing diversity, particularly when you have a long way to go and you don't want to wait forever. After a company attains a certain level of diversity, I think quotas lose their effectiveness. But when you're moving from one per cent female managers to five per cent, if you don't enforce a quota, it's going to take forever to reach that number."

Owing in part to this strategy, the representation of women in Nissan's management has increased three times as fast as the average rate in Japan over the past decade.

5. Provide leadership education. Another key practice is providing leadership development opportunities for women at the lower levels of the organisation, which tend to be more diverse. Broomberg described Discovery Health's CEO Programme like this: "It's a brilliant two-year programme which involves candidates in intensive internal and external training, significant exposure to senior executives, and travel to the US to do a course at Duke. It includes external candidates and young candidates from previously disadvantaged backgrounds already in the company. It's a big financial investment for us, but we've been able to add quite a lot of muscle to our recruitment capacity and also invest significantly in the more rapid advancement of existing internal candidates."

And Johnson & Johnson's Bill Weldon noted that diversity training cannot be hived off from the rest of the operation. It has to be woven into the culture. "About 10 years ago one of the women's leadership initiative programmes was being held across the street, and I asked the people running it if I could go to the programme," he recalled. "They said no. I asked why not, and they said I couldn't go because I was a man. My response was that



JIM TURLEY
CEO of Ernst & Young

Three women on the board made individual comments that were similar in direction, which I didn't respond to. Not long after they spoke, a fourth person, who happened to be a man, made a comment in line with what the women had been saying, and I said, 'I think Jeff's got it right,' not even aware of what I had just done. To their great credit, the women didn't embarrass me publicly. They pulled me to the side and played it back to me. It was a learning moment for me

that may be the problem – you have to broaden it beyond women. We evolve and learn and grow to make sure we're capturing not just the people involved but the views of the whole community."

Needless to say, companies should also offer their high-potential employees opportunities for external education and development. But according to Harvard Business School, only 23 per cent of participants in executive education programmes on the Boston campus in 2012 were women. Companies also need to invest in women-only leadership development programmes and in educating both men and women about subtle gender biases and how they manifest themselves in firms.

6. Sponsor employee resource groups and mentoring programmes. Several of the CEOs' companies offered less structured professional development opportunities to various subgroups of employees. One approach is employee resource groups, or networks of employees who share an affiliation (such as women, ethnic minorities, or young professionals). Angela Braly of the US managed-care firm WellPoint underlined the importance of leveraging such groups in substantive ways.

"I visit each group twice a year and give them real assignments," she said. "I am very clear about my expectation that they will have a real impact on the business."

Companies must also invest in these groups, according to Banga. "Here at MasterCard we have many business resource groups (BRGs)," he said. "We have women's leadership networks, a YoPro group for young professionals, a group for employees of African descent, a pride community, a Latino community, and an 'East' community for Asian employees. Each BRG has a business sponsor, who's normally a direct report of mine. We do a ton of things with them, from employee-networking events to multicultural summits to a women's forum for which we get outside speakers as well as panels comprised of me and members of my board."

7. Offer quality role models. It's no surprise that diversity at the top promotes diversity throughout an organisation. A varied array of leaders signals an organisational commitment to diversity and also provides emerging leaders with role models they can identify with. Several of the CEOs, including those from Kaiser Permanente, Sodexo North America, King Arthur Flour, Duke Energy, and Cummins, said that putting women in leadership roles was key to attracting, retaining, and developing other female talent. Rogers described how Duke did this: "This historically has been a man's industry. So, early on, we worked to move a woman into a plant manager position. That set an example. You have to be intentional and make sure you populate your organisation with leaders who represent diversity. That creates an environment that allows those with diverse backgrounds to say, 'If they can, I can.' That is a very important feeling that needs to be embedded in the people in the company."

As for individualised employee development, many CEOs cited the importance of mentorship and sponsorship opportunities. Ohlsson explained IKEA's unique approach to mentorship this way: "We have a grandfathering/grandmothering principle at IKEA – that is to say that a hiring boss has to have another manager say yes to a candidate before that person can be hired. Two people then share the responsibility for the development of that individual." Such double sponsorship increases the likelihood that talented employees of any background will feel supported and stay with the company.

But Halvorson warned against tokenism – the practice of putting people into jobs because of their classification, not their ability. "If you put someone in place who fits a certain category but doesn't have the skill set needed to do the job, then you basically set the whole agenda back significantly," he said. "My sense is to hire stars, and the constellation is far more effective if it's a diverse constellation."

8. Make the chief diversity officer position count. As this relatively new role proliferates across industries, CEOs must decide how to maximise its effectiveness. At the time of his interview, Enrique Santacana of ABB North America had just received approval from the firm's North America Executive Committee to create a chief diversity and inclusion officer position, reporting directly to him. "We want to make sure that people understand that it has full support from the top, and it's not just a communications message that goes out there with no follow-up," he explained. "It institutionalises the process and the intent, and it establishes a formal means by which we will develop programmes as well as metrics, so that we can track our progress."

HOW WE CHOSE THE CEOs

To find leaders who were at the forefront of the diversity movement, we first identified companies with reputations for successfully leveraging diversity. We then assessed their progress at creating inclusive cultures by examining, where available, employment statistics, leadership attitudes, and third-party recognition. (Information pertaining to employment statistics and third-party recognition was collected using public sources. Leadership attitudes were assessed on the basis of public sources, published interviews, and involvement in diversity initiatives.) We also took cultural differences into account. For example, 6% of the Japanese automaker Nissan's management is female, a ratio that sounds dismal from a US citizen's vantage point. But the Japanese national average for female representation in management is 2%; Nissan is actually significantly ahead of the curve.

After identifying these companies, we selected CEOs to participate in interviews as part of an exploratory study. We wanted them to represent different industries and regions, as well as different stages of inclusivity. For example, some of the companies had well-established practices for leveraging diversity, while others were initially developing practices. We also asked CEOs whom among their peers they admired for creating inclusive cultures and used this information as leads to other companies and other CEOs.

Lead by Example

Once the vision of an inclusive culture has been articulated and best practices have been put in place, what is the CEO's daily contribution to seeing that the vision becomes a reality? Nearly half the CEOs said their most important role was to set the tone for the organisation's culture by demonstrating a commitment to inclusion.

Perhaps the most meaningful way to do that is by dedicating time to work personally on diversity and inclusion initiatives. A quarter of the CEOs we interviewed mentioned direct involvement with diversity programmes, such as meeting regularly with employee resource groups and diversity councils. Banga, Moynihan, and Thodey even chair diversity and inclusion councils themselves. By pointing the way, CEOs will help their organisations attract and develop the best, most diverse talent, giving them the edge they need to succeed. ◆

Boris Groysberg *is a professor of business administration in the organisational behaviour unit at Harvard Business School and the coauthor, with Michael Slind, of* Talk, Inc. *(Harvard Business Review Press, 2012).* **Katherine Connolly** *works in the organisational behaviour unit at HBS.* *This article was published in* HBR, *September 2013.* *Copyright © 2014 Harvard Business School Publishing Corporation. All rights reserved.*

RESEARCH IS KEY
MID-CAP COMPANIES ARE UNDER-RESEARCHED. SO ONE SHOULD LOOK FOR GOOD MANAGEMENT AND VALUATION BEFORE INVESTING IN THEM

Treading the Middle Path

Mid-caps are trading at attractive valuations. Here's how you can choose the best of the lot.

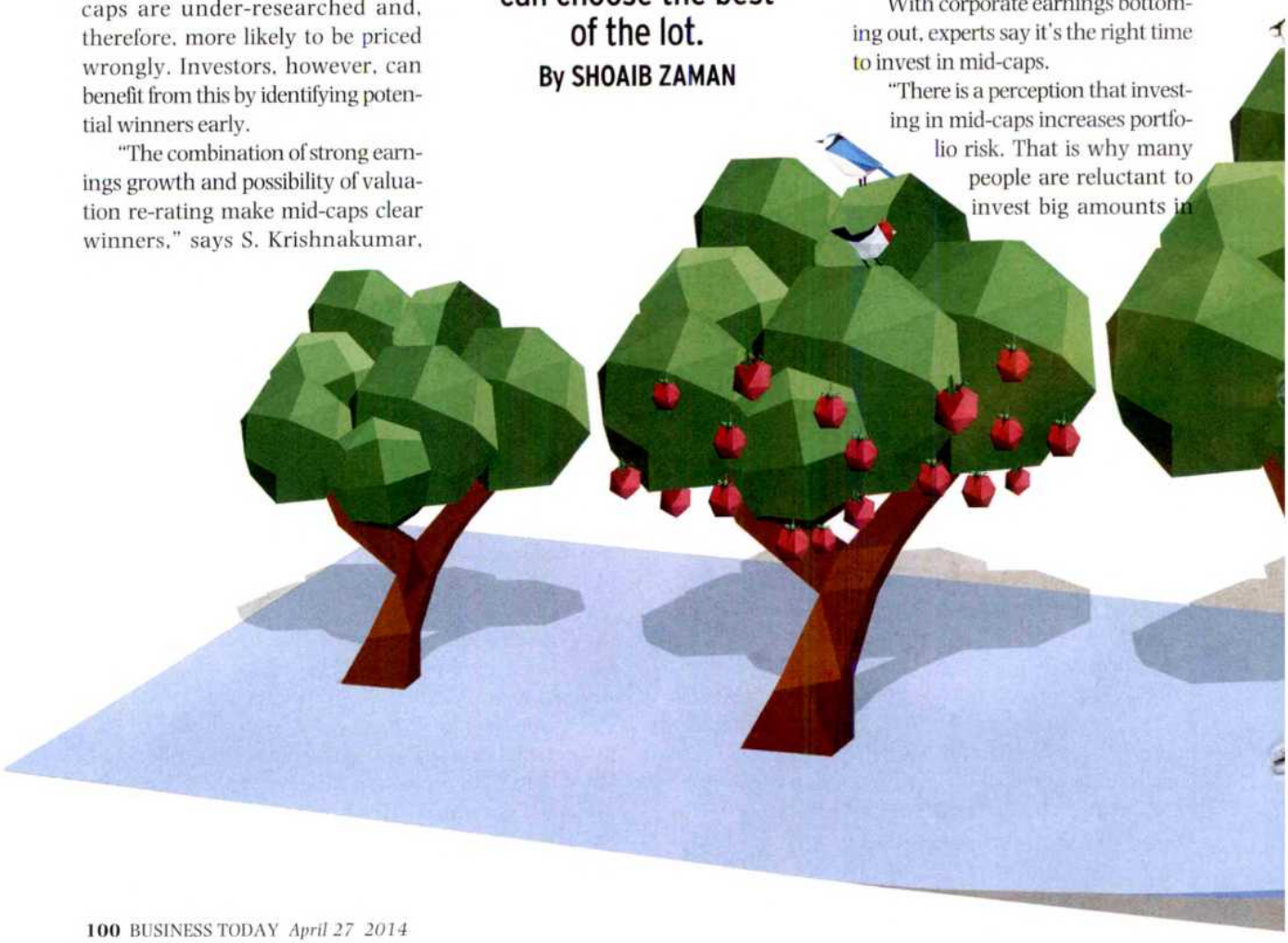
By SHOAIB ZAMAN

There is a perception that mid-cap stocks are risky. This is partly right, as some risks are directly related to size. One more reason is that mid-caps are under-researched and, therefore, more likely to be priced wrongly. Investors, however, can benefit from this by identifying potential winners early.

"The combination of strong earnings growth and possibility of valuation re-rating make mid-caps clear winners," says S. Krishnakumar, Head, Equity, Sundaram Mutual Fund. "Mid-caps outperform large-caps when the economy is reviving," says Dipak Acharya, Fund Manager, Equity, Baroda Pioneer AMC.

With corporate earnings bottoming out, experts say it's the right time to invest in mid-caps.

"There is a perception that investing in mid-caps increases portfolio risk. That is why many people are reluctant to invest big amounts in



these stocks," says Tushar Pendharkar, Senior Analyst, Right Horizons. "But we believe that this difference between large-caps and mid-caps will vanish in 2014." He says this is because increasing opportunities and consolidation have added a lot of value to fundamentally sound mid-cap companies.

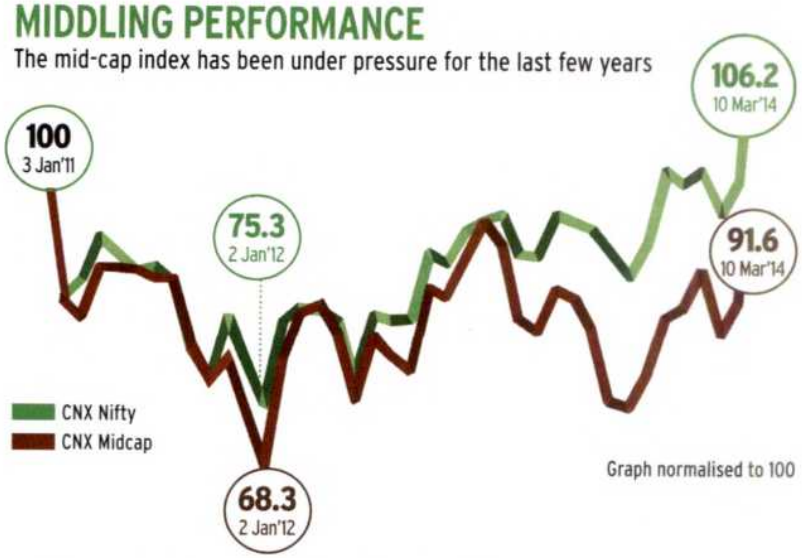
Pendharkar gives the example of PVR, which he says has got the benefit of improved Bollywood content as well as change in the attitude of Indians towards movies. Another example, he says, is Amara Raja Batteries, which has fast emerged as the second largest player in automotive and industrial batteries.

Investing Challenges

Only a few mid-caps are tracked by brokerages and research houses. So, there is a shortage of information about these companies in public domain. This makes investing in them risky. "The risk of failure is higher in smaller companies, unlike the big ones, which have gone through the learning cycle and/or have the backing

MIDDLING PERFORMANCE

The mid-cap index has been under pressure for the last few years



Graph normalised to 100

Parameters for stock selection

To bring you the best mid-cap stocks, we first took all companies listed on the National Stock Exchange as on December 20, 2013. Then we checked companies with the highest and lowest market capitalisations that are part of the CNX Midcap index (these formed the screen's ceiling and base). This left us with 564 companies, which were then run through various quantitative parameters.

Of these, we chose companies with Return on Capital Employed and Return on Equity of over 15% for the last three years, debt-to-equity ratio of less than two and interest coverage ratio above two. Further, we selected companies with institutional holding of more than 20% for the last eight quarters. Plus, in the last four quarters, institutions should have increased their stake in the company.

TOP MID-CAP PICKS

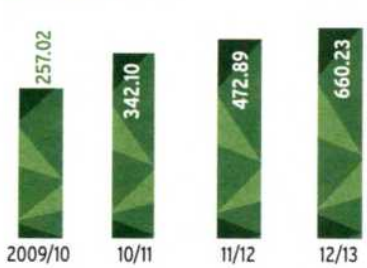
ECLERX SERVICES

MARKET PRICE: ₹1,094.60

The company's professional services practice includes consulting, business analysis and solution testing

* Foreign institutional investors have been increasing exposure to the company over the last four quarters
* Return on equity and return on capital are 41% and 51%, respectively
* Earnings per share have more than doubled in the last five years
* The stock is trading at a price-to earnings ratio of 14.4 as against the IT sector's 21.81, which is quite attractive

NET SALES (₹ Crore)



NET PROFIT (₹ Crore)

Market price as on March 19

of strong parents," says Krishnakumar of Sundaram Mutual.

"The most important factor one should be mindful of while investing in mid-cap companies is management quality," says Acharya.

Since large-cap companies have a long history of in-depth coverage by research and brokerage houses, investors can be more confident about the quality of their managements. "But in the mid-cap space we have to ensure that the company has the management bandwidth to take the company to the next level," says Acharya.

However, Neelesh Surana, head, equity, Mirae Asset Global Investments (India), says the basic principles of investing are the same for both large-caps and mid-caps. He says one must never lose sight of three things – business characteristics, management quality and valuation. "As mid-cap companies are generally under-researched, there is need for stricter due diligence on the first two factors. Also, regarding valuation, it is prudent to have a higher margin on safety given the additional risks involved."

Expectations 2014

The valuation gap between large-cap and mid-cap stocks has been increasing for the last few quarters. "Market volatility has kept mid-caps under pressure," says Pendharkar of Right Horizons. But a few mid-cap companies such as Amara Raja Batteries, Vardhman Textiles, Cadila Healthcare, Cummins India, Tech Mahindra and AIA Engineering have grown very fast in the past couple of months. These can be good bets.

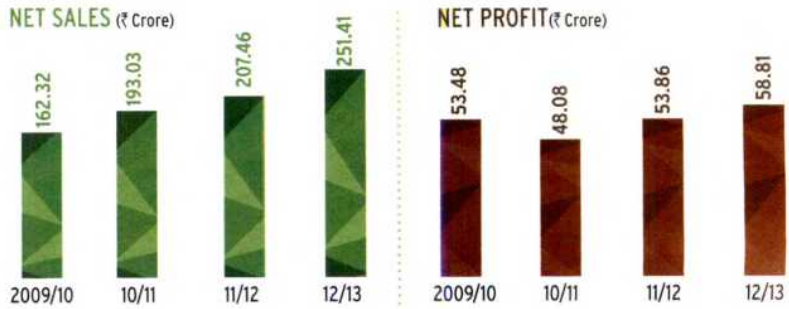
Surana of Mirae Assets says the CNX Midcap index is trading at a discount, both to its own long-term average and the Nifty. For example, the price-to-book value discount compared to the 10-year average is about

ICRA

MARKET PRICE: ₹1,880.85

ICRA is a professional investment information and credit rating agency. It offers Outsourced and Information Services, Consulting Services, Rating Services and Professional and Information Technology Services. It also rates rupee-denominated debt instruments

* Earnings per share have been rising for the last three years (₹48 to ₹59)
* The company has been increasing dividend payouts over the last five years
* Revenue from its ratings business boosted performance in the December quarter of 2013

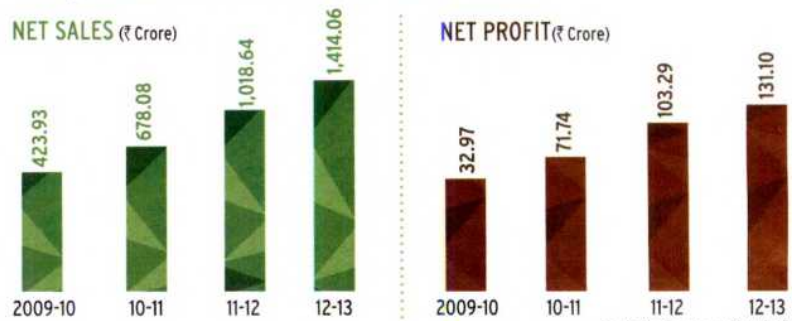


JUBILANT FOODWORKS

MARKET PRICE: ₹994.50

The food and beverages company has franchisee for two international brands – Domino's Pizza and Dunkin' Donuts. Along with its subsidiary, Jubilant FoodWorks operates the Domino's Pizza brand with rights for India, Sri Lanka, Bangladesh and Nepal.

* Foreign institutional investor holding is 47%.
* Return on equity and return on capital are 36% and 56%, respectively
* Foreign institutional investor holding has reached the cap



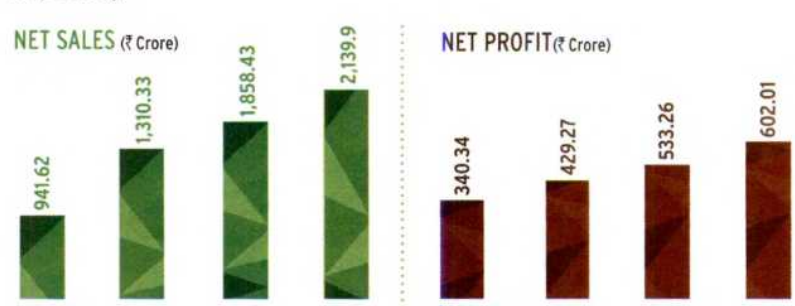
Market price as on March 19

DIVI'S LABS

MARKET PRICE: ₹1,414.20

Divi's is a leading manufacturer of Active Pharmaceutical Ingredients and Intermediates

* Has been increasing dividend payouts for the last five years
* Return on equity and return on capital are 25% and 32%, respectively
* Has a healthy mix of foreign and domestic institutional investments (16% and 13%, respectively)



35 per cent. "This is understandable as mid-cap and small-cap companies have seen sharp earning downgrades. Plus, economic slowdown and high interest rates are pinching them harder," he says.

V. Balasubramanian, Vice President and Fund Manager, IDBI MF, has a slightly different view. "Valuation does not depend upon the market cap. In fact, it is a function of the stock price and the number of shares. A stock, irrespective of whether it is a large-cap or a small-cap, can be bought as long as it is backed by growth and strong fundamentals. Investment decisions need not depend upon market caps."

"Today's mid-caps could be tomorrow's large-caps. Whenever the economy revives, mid-caps outperform large-caps. Not only do they deliver better earnings growth, they are also re-rated. Such a multiplier effect generates significant alpha in the portfolio," says Acharya.

Living with volatility

Experts say volatility is inevitable in mid-caps. But a sound investing strategy and bottom-up stock-picking can take care of these concerns.

"One should invest in mid-caps with a long-term view of three-five years to realise the full benefit of embedded growth and value creation. Volatility is a friend of long-term investors, as it helps them buy at lower price points," says Krishnakumar of Sundaram Mutual.

Surana of Mirae says investors should focus on quality businesses as growth mitigates many risks. Plus, they should go for a sound asset allocation so that the equity portfolio and risks are spread out among large and small companies.

Another reason for the volatility in mid-cap stocks is fewer shares.

Exiting Mid-caps

The biggest issue with investing in stocks is deciding when to exit. Considering that mid-cap stocks are highly volatile, having an exit strategy is a must. Most times investors enter at peak valuations. Even if they buy at the right time, it is difficult to decide when to sell. "Near bull-market peaks, small-caps and mid-caps trade at a significant premium to large-caps as investors' high risk appetite creates a bubble," says Krishnakumar of Sundaram Mutual Fund. This is the right time to exit.

"Another approach is catching the slowing growth in revenues/earnings as companies grow in size and show inability to outpace competition".

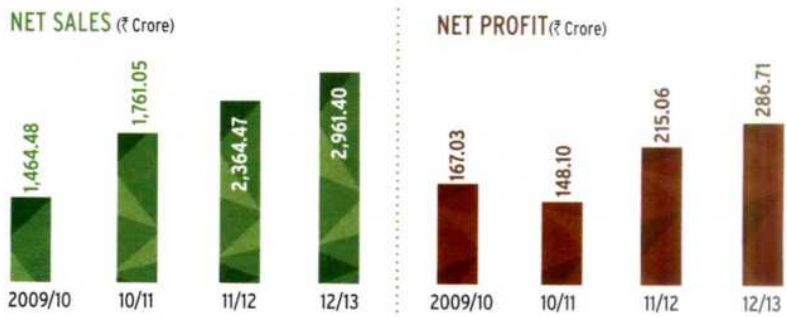
Surana says one must follow a well-crafted asset allocation strategy. "If the allocation to mid-caps is, say, 30 per cent, it should not be altered beyond a band." ◆

Courtesy: *Money Today*

AMARA RAJA BATTERIES* MARKET PRICE: ₹366.75

Amara Raja makes and sells lead acid storage batteries for industrial and automotive applications in India. It is part of the Amara Raja Group of Companies

* Foreign institutional investor holding is a high 47%
* Return on equity and return on capital of 30% and 41% respectively
* The company's profit has been increasing at 28% a year
* Debt-to-equity ratio of just 0.08 times



* Financials are on a standalone basis, market price as on March 19

Why These Metrics?

Return on Equity (ROE): RoE measures how efficiently a company uses assets to produce earnings. It indicates the rate at which it can grow without raising more funds.

Return on Capital Employed (ROCE): RoCE compares profitability based on the capital used. RoCE must be higher than the 'cost of capital' if the business is to survive for long.

While high ROCE shows how efficient the management is, RoE indicates how well the company is managing the mix of equity & debt for higher efficiency.

Debt-equity ratio: This shows how the company is funding growth. A lower figure indicates less risk. A high debt-to-equity ratio means the business will be severely hit by a rise in interest rates.

Interest coverage ratio (ICR): ICR provides us a glimpse of a company's ability to pay interest on its debt. It indicates how many times interest can be paid from the available earnings. A company which earns well above its interest requirements is in an excellent position to weather financial storms.

Institutional holding: Since institutional investors tend to do rigorous research, it is prudent to take a look at the company's shareholding pattern on a quarterly basis to find clues about where it is headed.

LAST BUT NOT LEAST

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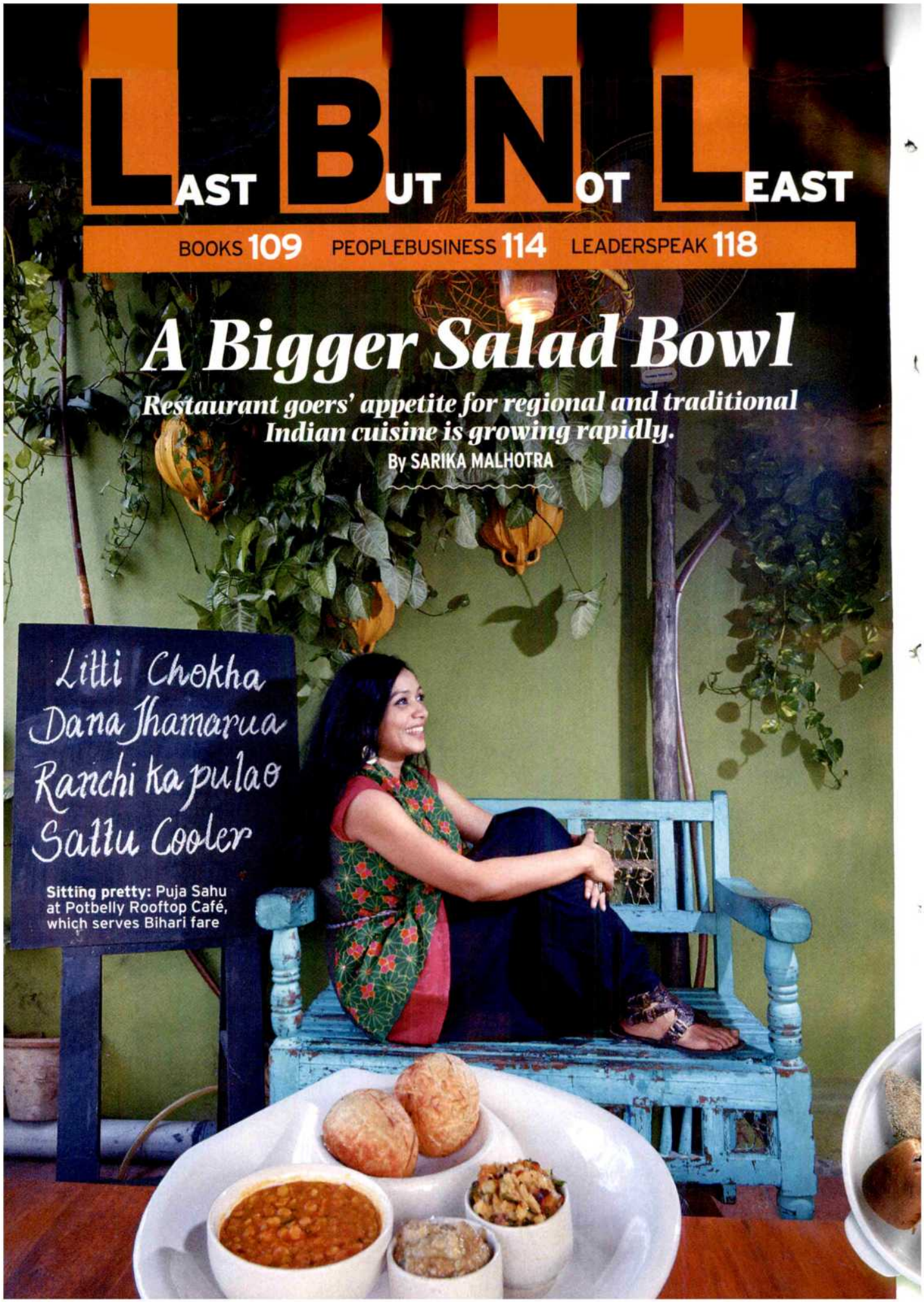
A Bigger Salad Bowl

Restaurant goers' appetite for regional and traditional Indian cuisine is growing rapidly.

By SARIKA MALHOTRA



Sitting pretty: Puja Sahu at Potbelly Rooftop Café, which serves Bihari fare

Sheer boredom led Puja Sahu and Vivita Relan to explore the idea of starting a café. They had been designing garments for over 11 years and were looking to do something new. They decided to use the terrace of the building in Shahpur Jat, Delhi, which housed their garment store. But what sort of dishes should they serve? "We knew no one would climb four floors to our restaurant if we didn't serve something exclusive," says Sahu. Hailing from Bihar, she plumped for Bihari cuisine. "We decided to serve something we knew well," she adds.

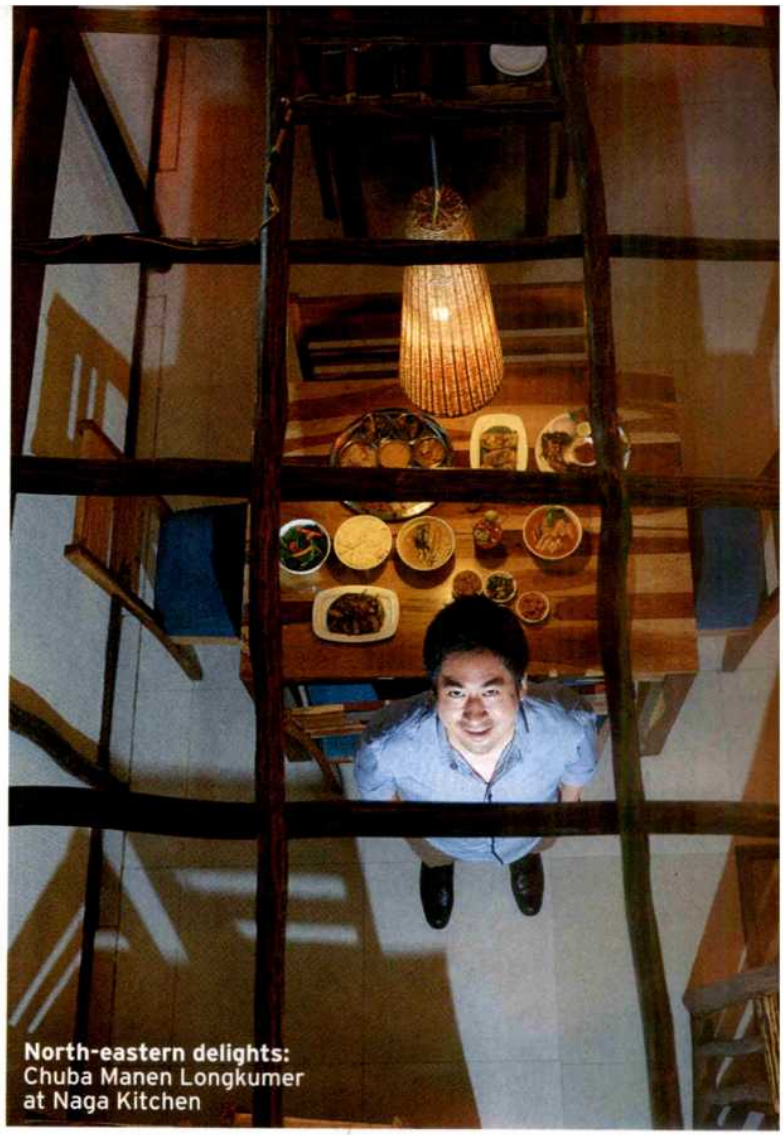
Few outside the state are probably even aware that Bihar has a distinctive cuisine. The dishes have hardly ever been marketed commercially. But Sahu and Relan were confident. Sahu's mother became unofficial food consultant and trained the chefs recruited for the restaurant. Potbelly Rooftop Café, as it was named, opened in August 2011, with an investment of a little over ₹20 lakh, serving all the Bihari delicacies – *litti chokha, Champaran mutton, dana jhamarua, keema aloo chop, khada masala chicken* and more. In a year and a half, Sahu and Relan had broken even. "Sales are growing gradually but consistently. Today, we clock average monthly sales in the range of ₹10 lakh," says Sahu.

"We knew no one would climb four floors to our restaurant if we did not offer something exclusive"

PUJA SAHU
POTBELLY ROOFTOP CAFÉ

Nor is Potbelly Rooftop Café a freak success. On the contrary, restaurants providing all kinds of regional as well as traditional cuisine have been gaining traction in recent years. No longer does an Indian restaurant mean either 'North Indian' (*butter chicken, naan*) or 'South Indian' (*idli, dosa, vada*) fare as it did a decade or two ago. Now there are eating places serving dishes from almost every state in the country – Kashmir to Kerala, Goa to Nagaland – as well as endless, traditional variations on a single theme, say biryani or kebab. "People want to experiment more than before with their food and are also spending more on eating out," says food columnist and curator, Anoothi Vishal. "For them, there is always the question of where to go next."

No doubt the market for such restaurants is still limited. The total restaurant market was pegged at around ₹247,680 crore in 2013 by the National Restaurant Association of India (NRAI), of which the organised segment – licensed standalone outlets and chains – was around 30 per cent. Within this organised segment too, the traditional 'North Indian' and 'South Indian' restaurants, along with Chinese, still



PHOTOGRAPHS BY ADITYA KAPOOR

North-eastern delights: Chuba Manen Longkumer at Naga Kitchen

"Our Dilli Haat experience convinced us that Naga food would be acceptable to people other than those from the northeast"

CHUBA MANEN LONGKUMER
NAGA KITCHEN

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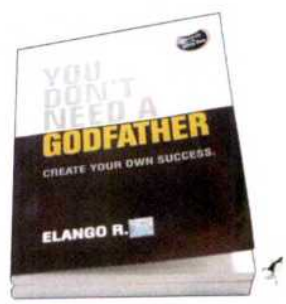

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comprise 70 per cent – the remaining includes both international and regional or traditional fare. But there is growth. "State-specific restaurants are thriving both in terms of numbers and performance, some even attracting private equity (PE) investors," says Samir Kukreja, President, NRAI.

A classic success is Speciality Restaurants, promoted by Anjan Chatterjee, the man who proved Bengali cuisine could be marketed on a large scale. Speciality Restaurants has attracted PE investment and even had a successful listing on the stock market in 2012. Chatterjee started his first restaurant serving Bengali fare in Mumbai in 1992 called Only Fish, since then rechristened Oh! Calcutta, but now has 107-odd eateries, with a host of other brands as well – Mainland China, Sigree, Flame & Grill, Machaan, Just Biryani – which, as their names suggest, have moved way beyond Bengali cuisine. There have been PE investments in other such restaurants too. The Pind Balluchi chain, with dishes from Baluchistan, got funding from Everstone Capital; Goli Vada Pav, with its Maharashtrian fare, has attracted Venture East. Ammi's Biryani, serving an array of biryani, has had SAIF Partners investing in it.

Even lesser known examples of success abound. When techies Prakash Samantaray and Hara Mohapatra took up jobs in Bangalore, they badly missed the Odia cuisine they were used to. There were no Odia restaurants, so they decided to start one. They called it Dalma after a specialty dish from their state (dal with vegetables). "Initially people from Bengal and Assam – along with Odias – became regulars but now locals have also begun to patronise our restaurant.

Sumptuous spread: Dalma is all about Odia cuisine

NILOTPAL BARUAH/WWW.INDIATODAYIMAGES.COM

On weekdays, the ratio of Odia and non-Odia among our customers is 50:50," says Samantaray. Revenue has been growing 30 per cent year-on-year. The success has prompted the duo to start a shop selling Odia sweets as well.

Ever heard of Naga cuisine? If not, pay a visit to Naga Kitchen at Delhi's Green Park Extension. Chuba Manen Longkumer, with his sisters Washimenla and Tuluyinla, had been running a Naga food stall at the city's Dilli Haat – an open-air food court with cuisines from different parts of India – since 1995. Its success prompted them to invest in a fine dining restaurant. "Our experience at Dilli Haat convinced us that Naga food would be acceptable to people other than those from the northeast and foreigners," says Chuba Manen. The siblings take care to source 80 per cent of their ingredients from Nagaland and claim customers have doubled since 2010.

Celebrity chef Sanjeev Kapoor notes that regional fare is closer to the Indian heart than fast food. "Traditional cuisines have unique taste, interesting histories and authentic flavours which have been passed down through generations," he says. "That's why small, indigenous restaurants are picking up." ◆

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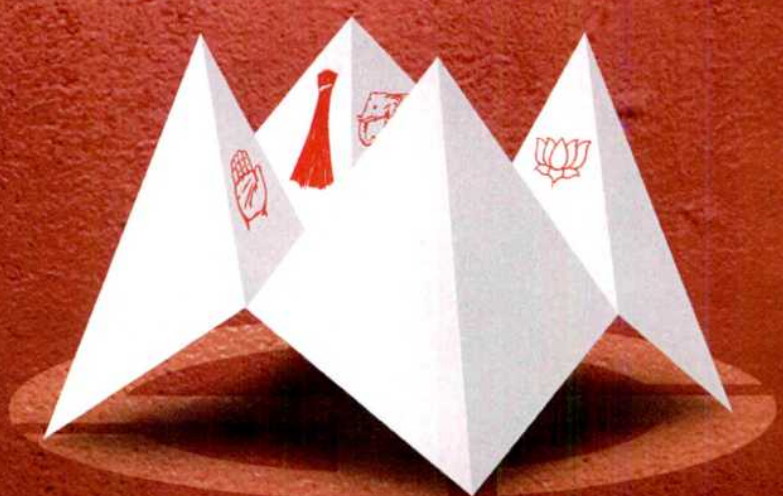
WHO WILL WEAR THE CROWN?



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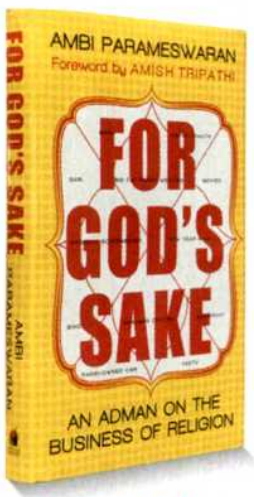
Worshipping Mammon

An advisory for budding religious entrepreneurs, replete with history and anecdotes



For God's Sake
By Ambi Parameswaran
Portfolio Penguin
Pages: 258; Price: ₹499

In their brilliant book *God is Back*, John Micklethwait and Adrian Wooldridge chronicled the global rise of religion. They also touched upon the role of capitalism in promoting this rise – the US, they argued, leads the world in producing religious entrepreneurs.

Now, adman Ambi Parameswaran looks at the scope for commerce around religion in the Indian context. There is religion everywhere in India, and a bit of it in almost everything Indians do. The country, thus, offers umpteen opportunities for indigenous entrepreneurs in the field to rake in the moolah. *For God's Sake* documents the opportunities – the business of religion around weddings, for instance, around festivals, a new home, or even religious tourism. Embellished with personal anecdotes, history, original and borrowed research, this is a thought-provoking work as well as an advisory for such entrepreneurs. Get smarter, tweak a product here or a service there, and a sales windfall may be waiting.

Chapter 10, for instance, dives into the history of how the beef-eating Hindu of the Vedic era became a beef-hater, and what current Indian dietary habits mean for businesses. The religious consumer of today is likely to gorge on meat and fish on Sundays, Wednesdays and Fridays, while avoiding it on the remaining three days. This has implications on how an airline company or a restaurant plans its menu.

What about religious-themed luxury goods? Parameswaran has useful tips. Indians were up in arms when Swiss pen brand Montblanc launched a Mahatma Gandhi pen, but they will not mind a Swarovski crystal-studded Lakshmi. The author argues that with increasing affluence, Hindus have begun to splurge on expensive idols that are not necessarily the traditional kind and that the market for religious-themed luxury products is set to explode. Even rich Indians look for value and a religious motif can work miracles – a premium handbag with an inlay of a silver Lakshmi, for instance.

Not every one of Parameswaran's observations is convincing. It is true doctors are rarely sued for medical negligence in this country unlike elsewhere, but that is possibly because the legal system is slow and tedious. In the chapter *Pray for Better Health*, he, however, predicts that patients will not take their doctors to court even if the legal system improves because they see doctors as "gods". This is hardly the case, considering the growing number of 'hospital rage' cases in the country. Journalist Margot Cohen interviewed three dozen medical professionals and analysts in India to come up with a piece titled *Why Indian doctors fear for their lives* for Yahoo! She lists a number of recent cases of violence against doctors.

The book also raises and answers questions not always directly linked to the businesses of religion, but which are interesting to read, nonetheless. It begins, for instance, with the mystery of the *bindi*, which has mostly disappeared from advertisements but not from television programming. Portraying a woman with a *bindi*, with its perceived conservative trappings, is not always the wisest thing to do when marketing a modern product. One of the arguments is because advertising is about aspiration while TV entertainment is all about identification.

This is an easy-to-read, jargon-free book that keeps you intellectually engaged till the end. Think you know all about the Hindu religion? Here's a test: Who is the goddess of smallpox? ◆

GOUTAM DAS

For God's Sake *documents the opportunities – the business of religion around weddings, for instance, around festivals, a new home, or even religious tourism*

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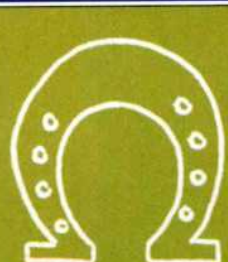

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Value Labs
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Location: Hyderabad / Secunderabad
Job ID: 14569085
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Integreon Managed Solution India Private Limited
Technology Support Analyst
Location: Mumbai
Job ID: 14914666
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Novell
C, Linux, FAP Specialist
Location: Bengaluru / Bangalore
Job ID: 14887648
Description: 8 - 12 years of experience in software engineering role for enterprise software product.

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Account Manager
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Description: This person is responsible for account planning and opportunity planning for maintaining and growing current NCR Financial accounts within an assigned account rider.

2COMS Consulting Private Limited
MM- Marketing Executive
Location: Kolkata
Job ID: 14906966
Description: Would be responsible for business development of the company.

Sapient
Manager - Marketing Strategy & Analytics
Location: Gurgaon
Job ID: 14908328
Description: Responsible for leading marketing strategy projects, including managing day-to-day activities and client relationships.

Futures Ahead
Business Development Executive
Location: Mumbai
Job ID: 14114343
Description: Excellent verbal & written communication.

Hector & Streak Consulting Private Limited
Asst Manager B2B
Location: Mumbai
Job ID: 14918614
Description: To develop & establish B2B clients for our Autographix products such as Clear Shield, Bumper Guard, etc.

Replicon
Accounts Manger
Location: Bengaluru / Bangalore
Job ID: 14922428
Description: Lead the Account Manager team to ensure the team is exceeding targets and business goals as set.

Acculogix Software Solutions Private Limited
Key Account Manager
Location: Bengaluru / Bangalore
Job ID: 14944752
Description: Responsible for Target driven acquisition and relationship management of clients.

Vitasta Consulting Pvt Ltd
Sales Manager
Location: Bengaluru / Bangalore
Job ID: 14946855
Description: Looking for Sales Manager- Electronic Payment in Bangalore.

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Internal Auditor
Location: Thiruvananthapuram / Trivandrum
Job ID: 14943176
Description: Regular feedback on assignments and ensure Audit documentations are completed within the agreed time scales.

NIMT Group Of Institutions
Accountant
Location: Noida, Ghaziabad
Job ID: 14704118
Description: He should be excellent in communication, result oriented & achiever. Should be very good in Accounting Concepts.

Oracle India Private Limited
Accounts Receivable
Location: Bengaluru / Bangalore
Job ID: 14224105
Description: Responsible for ensuring timely and accurate reporting of revenue activities for Oracle Corporation.

Symphony Teleca Corporation India Private Limited
Accountant
Location: Bengaluru / Bangalore
Job ID: 12540423
Description: Looking for Accounts receivables, O2C, AR, Billing with core accounting knowledge.

Syntel Limited
Finance-Capital Market/Investment Banking
Location: Mumbai, Pune
Job ID: 14938628
Description: Looking for candidates into Finance-Capital Market/Investment Banking at Syntel KPO (Mumbai/Pune).

Caliber Point Business Solutions Limited
Accounts Process
Location: Mumbai
Job ID: 14847984
Description: Candidate should have basic accounting knowledge. Prior experience in accounts payable preferred.

Red Hat
Team Lead, Accounts Payable
Location: Pune
Job ID: 14916645
Description: Good working knowledge of taxes, both direct and indirect.

CedarCrestone Software India Private Limited
Accounts Assistant
Location: Hyderabad / Secunderabad
Job ID: 14093695
Description: 1-2 years' experience with Accounts Payable and Expense processing.

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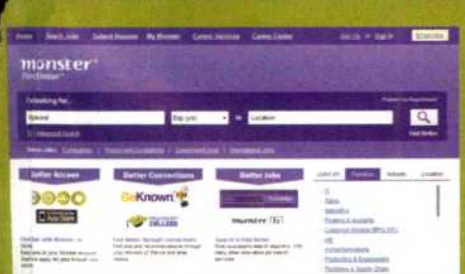

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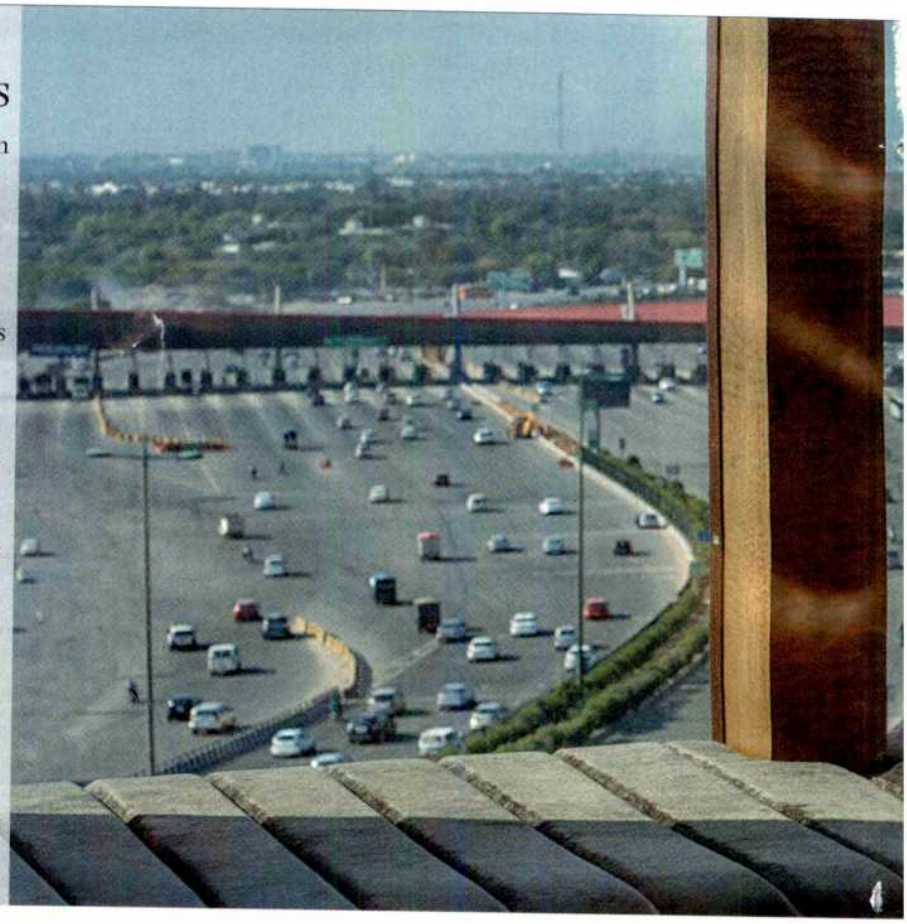
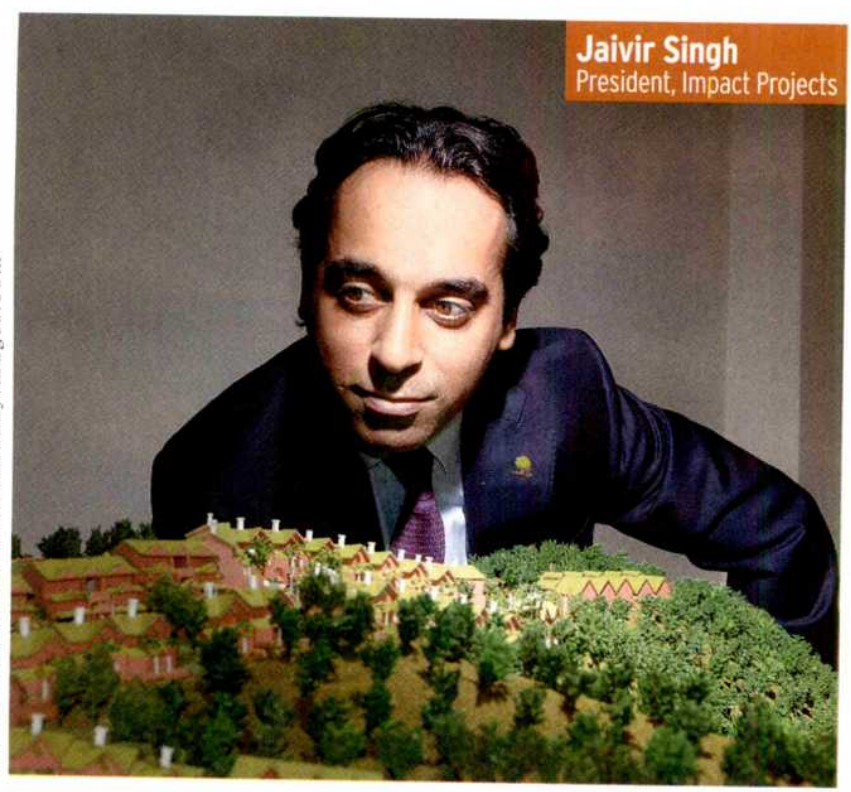
Fine-tuning Success

He loves cricket and was excited when his country, New Zealand, beat India convincingly in the recent series Down Under. "This happens only once in a century," says **NIGEL HARRIS**, the new head of Ford's Indian operations. The US auto giant's performance in India in the last decade-and-a-half can, at best, be described as a moderate success. And in recent months demand for cars has also slowed down considerably in India. So, can Harris, with his strong emerging-market experience – he has worked for Ford in China, Thailand and South Africa, apart from an earlier stint in India as a product development manager for Ford Ikon – turn things around? "India is tough to win," he says. "But the New Zealand cricket team gives me the confidence to try and succeed."

N. MADHAVAN





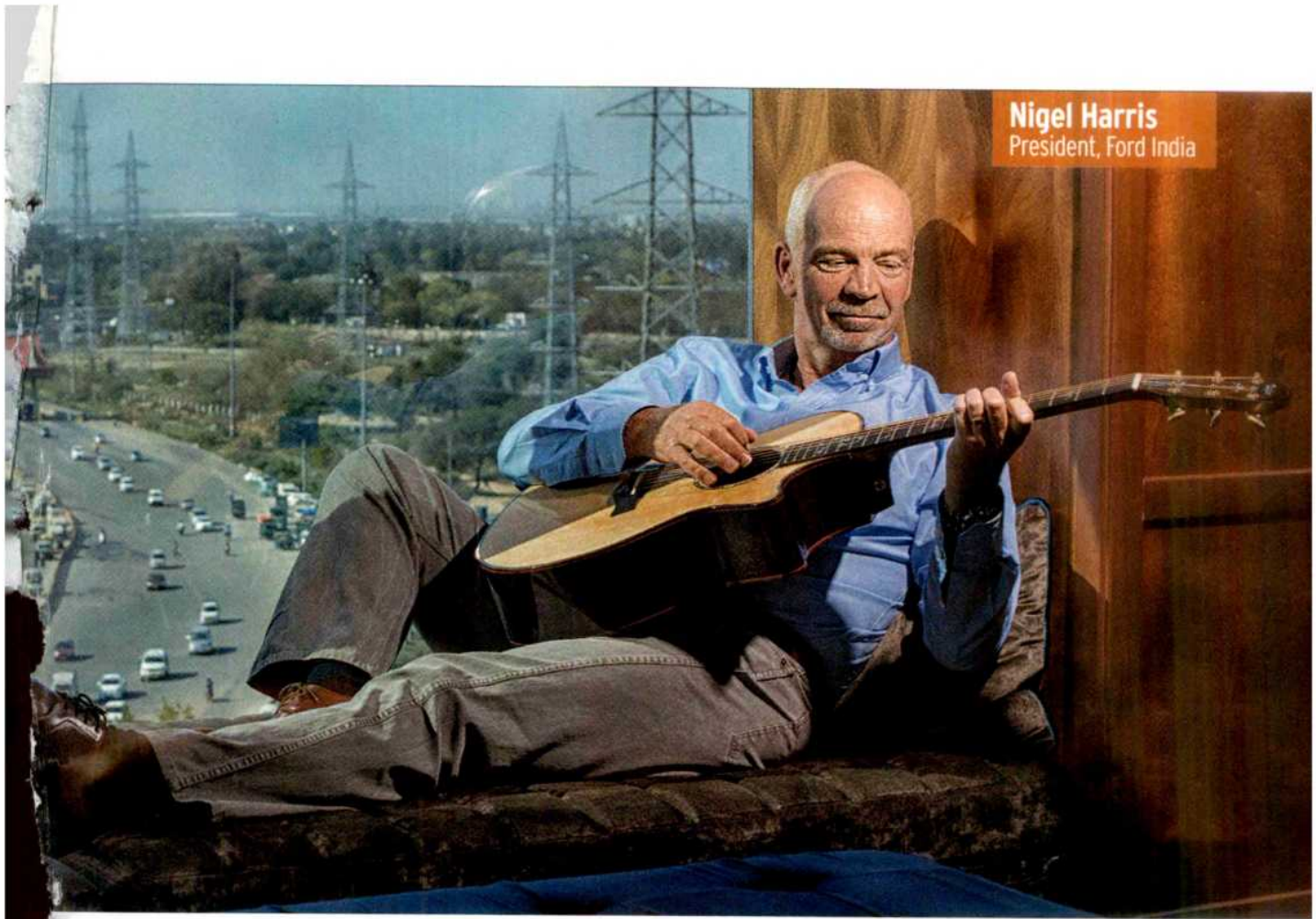
Jaivir Singh
President, Impact Projects

ADITYA KAPOOR/www.indiatodayimages.com

Villas in the Hills

JAIVIR SINGH of Impact Projects, part of Punjab-based real estate company Impact Properties, is building luxury houses in Kasauli, Himachal Pradesh, in association with Tata Housing. Situated at an altitude of above 5,500 ft, the hill station seems like an ideal location – it is neither too cold in winters nor too hot in summers. Ranging from 1,800 sq. ft to 6,000 sq. ft, the houses are designed by architecture firm Llewelyn Davies Yeang and come with a price tag of ₹3.25 crore to ₹8 crore. "The best part of this property is that three sides of this township is reserved forest area, thus none can utilise that area," says Singh, 33, who is targeting professionals from MNCs, businessmen, entrepreneurs, and what he calls the 'self-made men'.

ARUNIMA MISHRA



VIVAN MEHRA/www.indiatodayimages.com

NISHIKANT GAMRE/www.indiatodayimages.com

India's Star Power

CHRISTIAN KLICK came to India recently to extend an olive branch to local airline companies. Frankfurt-based Star Alliance, Klick's employer, seems to have finally ended its turbulent relationship with the Indian aviation market, fuelled by an on-and-off induction of flag carrier Air India into the 28-member global airline group. Star Alliance, the market leader, is looking with interest at the growing volumes of the Indian air travel market for its growth as the US market gets realigned post consolidation. After a failed attempt to woo Jet Airways, Star is now open to another alliance with the state-run carrier. And, not only is Star happy with the integration process of Air India, Klick is also full of praise for the way the airline has improved its operational parameters. "The integration process is on track," he beams, adding that for the market of the size of India, Star will definitely look at other airlines to partner with.

MANISHA SINGHAL

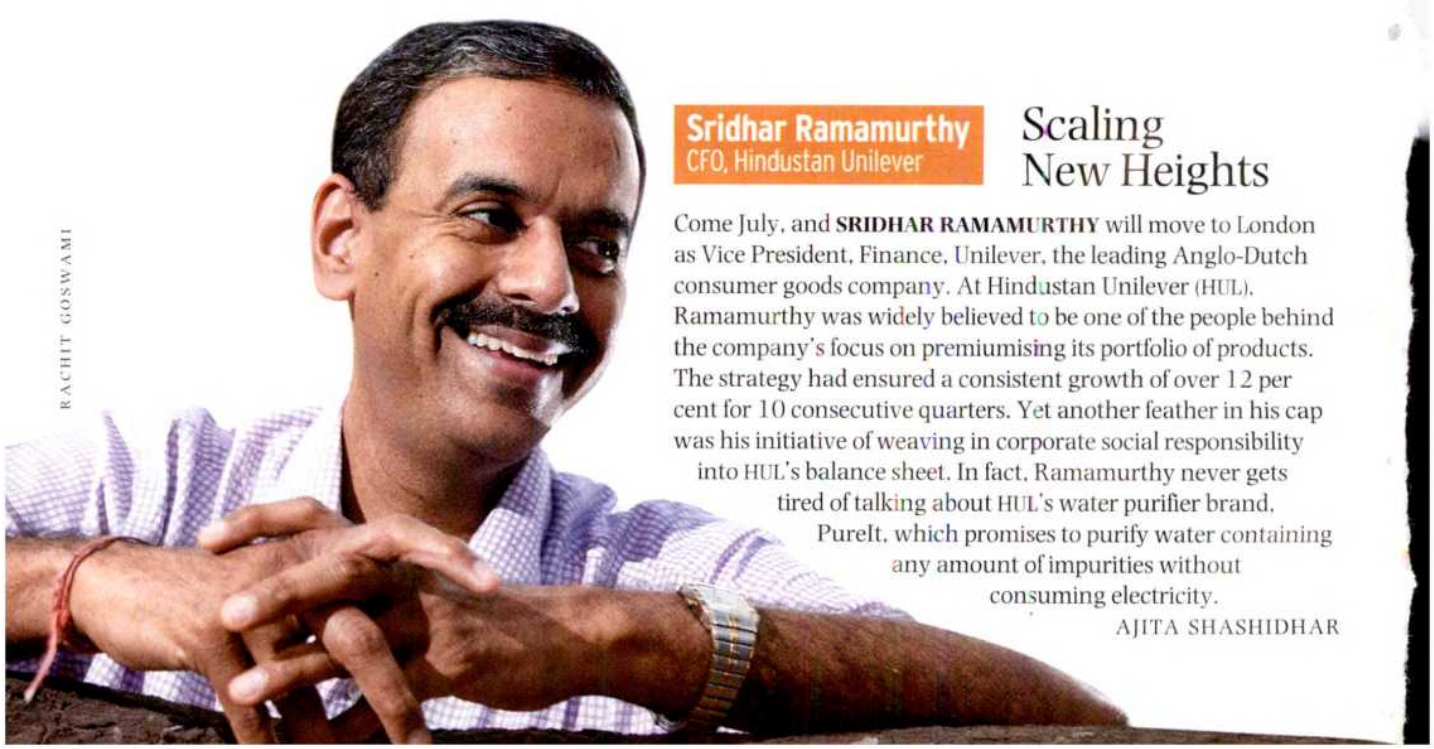
SHEKHAR GHOSH/www.indiatodayimages.com

A.V.T. Shankardass (left)/ Gurinder Chadha
Producer/Filmmaker

Backup Partners

Filmmaker **GURINDER CHADHA**, of *Bend It Like Beckham* and *Bride and Prejudice* fame, has joined hands with entertainment financier and producer **A.V.T. SHANKARDASS** and Elisa Alvares, who was formerly with the Future Film Group in the UK, to set up a private equity fund called Bend It Media. The fund aims to raise $30 million to invest in movies, TV and stage shows, and digital assets. Shankardass says the fund will rope in multinationals and wealthy individuals as its partner investors. Bend It Media is working to produce four movies and three TV shows this year.

ARUNIMA MISHRA



RACHIT GOSWAMI

Sridhar Ramamurthy
CFO, Hindustan Unilever

Scaling New Heights

Come July, and **SRIDHAR RAMAMURTHY** will move to London as Vice President, Finance, Unilever, the leading Anglo-Dutch consumer goods company. At Hindustan Unilever (HUL), Ramamurthy was widely believed to be one of the people behind the company's focus on premiumising its portfolio of products. The strategy had ensured a consistent growth of over 12 per cent for 10 consecutive quarters. Yet another feather in his cap was his initiative of weaving in corporate social responsibility into HUL's balance sheet. In fact, Ramamurthy never gets tired of talking about HUL's water purifier brand, PureIt, which promises to purify water containing any amount of impurities without consuming electricity.

AJITA SHASHIDHAR

Sabine Heller
CEO, ASmallWorld

Live Life Queen Size

She is half-Indian, half-American, and grew up in Mumbai, New Delhi and New York. **SABINE HELLER** heads ASmallWorld (ASW), a private online travel and lifestyle club for the global elite. The club offers some 750 privileges and perks to its members that include deals and discounts on hotel stays, air travel, fashion-related purchases, and access to some top-notch nightclubs globally. Last year, the invitation-only ASW changed its business model from ad-based to subscription-based ($105 annual fee) to maintain its niche and have a better control over revenues. According to Heller, 36, ASW's India membership is expected to reach 3,000 in a year, up from around 1,000 now. "Because of our exclusivity, we don't want to grow beyond a limit. Being international is a status symbol in India but it's difficult to achieve that," she says. "We have tie-ups with fashion brands and hotels in India. Our next target is to rope in some domestic airlines."

MANU KAUSHIK

VIVAN MEHRA/www.indiatodayimages.com

RAJESH JANEY
President - India & SAARC, EMC

My first role model
My parents, because they worked hard to give us the right values and education. They always taught me that there is no substitute for knowledge and no shortcuts to success

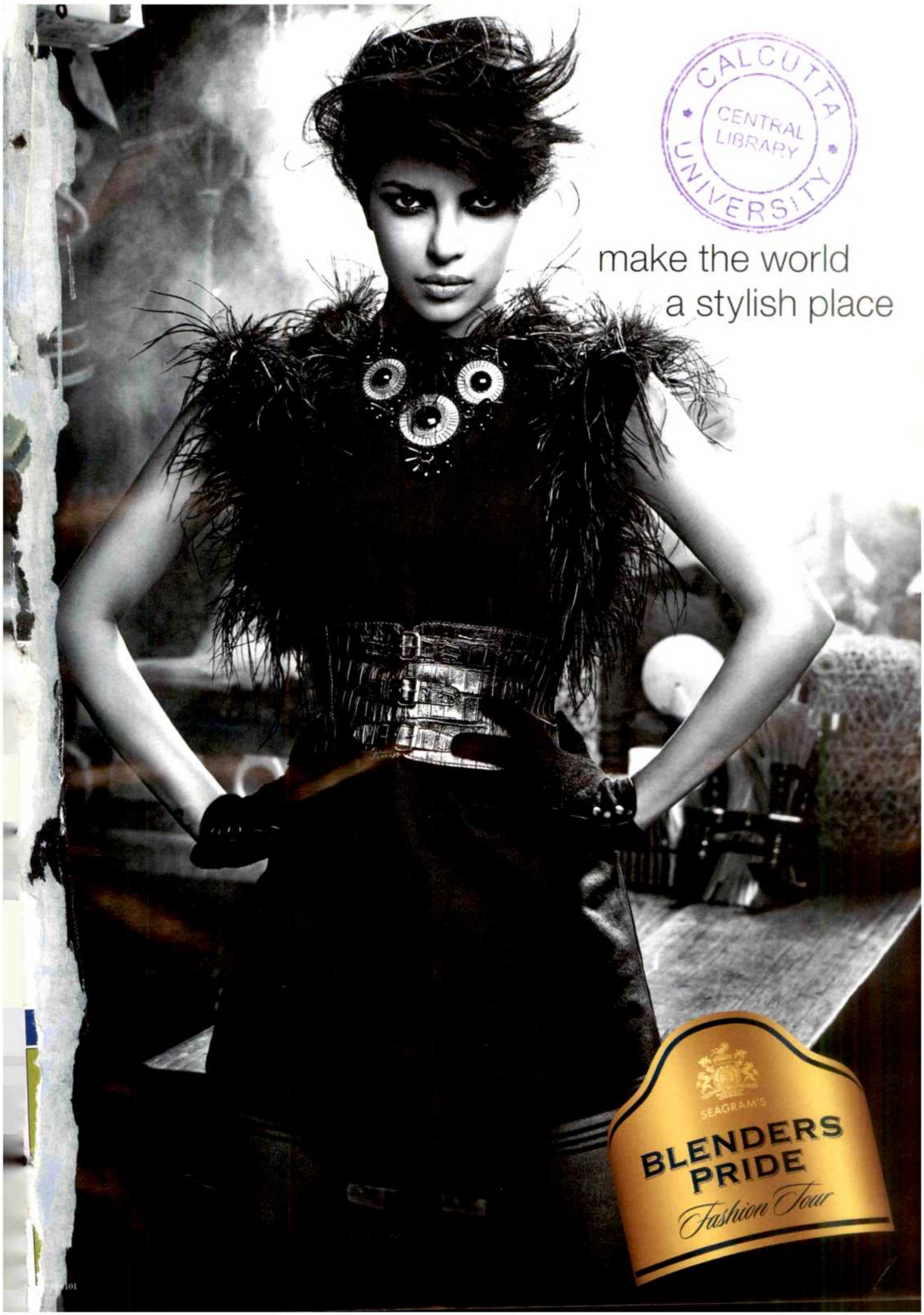
My first job
At HCL's factory where I was responsible for component-level debugging. It gave me in-depth understanding of the technology space

My first boss
At Wipro, Devendra Taneja, fondly called DT, mentored me. He taught me the importance of trusting team members and empowering them

My first promotion
At 22, when I moved from HCL to Wipro

My first disappointment
In my first travel assignment at Wipro, I could not resolve a situation I faced and had to come back to Delhi empty-handed. My boss did not lose confidence in me and told me to go back to the customer. I was eventually able to seal the deal

Photo by Shekhar Ghosh
As told to Sunny Sen



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